

FINANCIAL NEEDS AND RESOURCES OF SMALL INDUSTRIES IN ALIGARH DISTRICT

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INTRODUCTION

The present work entitled, "Financial Needs And Resources of Small Industries in Aligarh District" is mainly based on the proposition that small scale industry applies labour intensive and capital saving techniques. Its role is vital in the industrial development of a country ir-respective of its stage of economic development. It has, all the more, a strategic role to play in developing countries like India where infra-structure is under-developed and the people are less experienced about the working of big concerns. Again, in these countries there is a general paucity of funds, improved technology and sophisticated machinery and equipment etc. Thus, small industry is best suited for developing economies to provide job opportunities to millions of people who are either unemployed or under-employed. In the ultimate analysis, it mobilises scattered rural savings and puts them into productive channels and can be set up in rural areas.

Apart from the importance of small industries, much of the discussion has, however, been related to their financial needs and resources. For a clear understanding of their financial requirements and resources in the present circumstances of rising prices Aligarh district is selected as a sample district.

Due to vastness of the country there are bound to be wide variations in the Socio-economic and cultural set up of different regions. What may be true in one region may not exactly be applicable in other regions. To highlight the role of small industry, Aligarh has been selected because this district has comparatively better infrastructure essential for the growth of small units than other less developed districts of U.P. During the last twenty five years the district has developed various infra-structure and, thus, can look forward for a bright future.

The findings of this thesis underline that such industries can be a healthy means of economic development provided their financial requirements are properly met. The present work, is therefore, designed to examine the financial needs of these industries in relation to their increasing role. The financial requirements, it has been noted, are increasing substantially due to spiralling prices of all the factors of production in and outside the country. The thesis is divided into six chapters.

These chapters are independent as well as inter-woven with each other and present a composite view.

COLLECTION OF THE MATERIAL:

Among the various sources used for the study, mention may be made of the census of India, Reserve Bank of India Bulletin, State Bank of India's Monthly review, Bank of Baroda's Weekly review, Small Scale Industries in India, and Small Industry-25 years of progress, Techno-economic survey of U.P. and other states, census of manufacture, Development Commissioners' Office - Planning and Analysis Reports, U.N. reports and periodicals, industrial potential survey of Uttar Pradesh, and Annual Plans of U.P. Reports of the Secretariat, Government of U.P. and many other books and publications as listed in the bibliography. The original data are collected through personal visits and interviews with the officers of the U.P. State Small Industries Corporation, the U.P. State Financial Corporation, the district directorate of Industries Aligarh, and the Engineer Manager, Industrial Estates Aligarh and Hathras and the prominent industrialists of the district. The results of the enquiry are based on analytical as well as empirical methods.

STRUCTURE OF THE THESIS:

The first chapter deals with the role of small scale units in the process of economic development of industrially advanced countries like the U.S.A., the U.K. and Japan. This chapter gives a conclusive proof that small industries have played an important role in developed countries and contributed enormously in increasing gross and net national production, created job opportunities, and have been the basis of freedom of work. In spite of industrial revolutions and adoption of giant organisations, the role of small scale business is increasing in these countries. To give added impetus to the development of these units various institutional techniques have been adopted and the governments are engaged actively to safeguard the interest of small entrepreneurs. India, likewise can draw useful lessons from the experience of industrialised countries.

The second chapter deals with the problems and prospects of small scale industries in India with special reference to Uttar Pradesh. The small scale entrepreneurs face a number of problems which include shortage of raw material, increasing paucity of investible funds, lack of modern machinery and equipments, poor management, lack of skilled man-power, inadequate arrangements of marketing and exports, heavy burden of taxes and duties. Their progress is further retarded on account of inefficient

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working of government departments, inadequate facilities for research and development, lack of standardisation and training of workers and management. On the top of these, a small entrepreneur is a victim of many other snags e.g. lack of adequate transportation and communication facilities, uncertain supply of power and electricity increasing lawlessness, and black marketing and profiteering of industrial raw materials and components. Their financial position is further worsened due to delay in the payment of their bills for goods purchased by government departments.

The study clearly indicates that although institutional measures have been adopted to overcome the shortcomings but there is left a wide gap between actual requirements of small entrepreneurs and the facilities provided by institutions. To improve the working of these organisations many suggestions have been made to fill up the lacuna. An in-depth study has been made of the prospects of small industries in a backward state like U.P. It has been pointed out that in spite of various bottlenecks, small scale sector has witnessed a steady growth. The small scale sector has contributed about 30 per cent to total exports, 40 per cent to total industrial production and 36 per cent to total industrial employment. Their role can be judged from the fact that

total number of articles to be produced in small scale sector have increased from 25 to 128 and another 60 items have been recommended for production in years to come. The importance and survival of small sector in the country have rightly been guaranteed in the Industrial Policy Resolutions and the Five Year Plans.

In chapter three, role of industrial estates and their impact on the economic development of India with special reference to Aligarh district has been examined. Their role in the decentralisation of industry has been brought into light. A comparative study of their performance in developed and developing countries indicates that they have been an important tool of industrialisation. In India, although, these estates provide most of the facilities for the decentralisation of industries, but they are not yet popular with the industrialists. A large number of factory sheds built in these industrial estates are still left vacant. To utilise fully the factory shed and plots of industrial estates, it is recommended that these sheds and plots should be given to large and medium sized establishments. In this regard the uses and abuses of such allotment are also examined in detail.

The case study of the working of industrial estates in Aligarh district reveals that they have effectively provided infra-structure for the development of small units in the district. Various measures have been pointed out for the state planners to make them viable units.

In the fourth chapter, the institutional sources of credit to small scale industries in India are critically examined. The analysis reveals that in comparison with the financial resources of small scale industries in advanced countries the financial resources of these units in India are very meagre and it is highly imperative that an apex financial organisation be set up which could exclusively look after the financial affairs of small units. In the present circumstances of spiralling prices of raw materials and industrial machinery and other factors of production, the annual financial requirements of these units have increased considerably. It is suggested that their financial requirements should be revised from time to time in view of the galloping inflationary tendency prevailing in the economy of the country.

To meet the financial needs of small scale units, a net work of financial organisations has developed. Although, various institutions have liberalised their attitude towards small units but their requirements are

met fully. Among the credit institutions, the role of commercial banks and amongst nationalised banks particularly of the State Bank of India has been important. In order to make the policies of these banks oriented towards small industry, various measures have been suggested. For the successful adoption of these measures, a change in the attitude, outlook and approach of managerial staff of banks specially at branch level is the need of the hour. The approach of banking personnel should be such which can create a feeling of confidence amongst the entrepreneurs that their credit needs will be fully guaranteed. Besides, the procedures for the scrutiny and grant of loans should be simplified and uniform for all the banks. Again, it is suggested that "one bank for one customer" policy should be followed so that the credit needs of small units may be met adequately.

Chapter five has comprehensively examined the financial needs and resources of small scale industries in Aligarh district. During the last twenty five years, Aligarh has developed a favourable climate for the development of small sector. Since independence, a large number of small, medium and large scale establishments have been set up in the district. Its industrial estates are functioning satisfactorily and the industries working in them produce a variety of goods which are also a source of

earning foreign exchange. The main items of export are lock and building fitting materials, sanitary wares, electric goods, cotton carpets, buckles and mathematical instruments. These industries in turn have provided enormous job opportunities in Aāigarh and its neighbouring areas.

On the basis of growing importance of these industries an attempt has been made to estimate the financial needs of small units of the district. To overcome the financial problems of small entrepreneurs it is felt that government should come forward to provide finances upto the extent of their total needs. Unless bold and imaginative policy will not be followed by the district and State Planners, the growth of small scale industries will be an idle dream. Thus a revolutionary change in the outlook of government and financial institutions is called for.

The sixth chapter is devoted mainly for the summary of findings and conclusions. The main purpose of the chapter is to sum up the main findings and suggest suitable measures to make the small units a healthy means of economic growth of the country.

CHAPTER 1

ROLE OF SMALL SCALE INDUSTRIES IN THE ECONOMIC DEVELOPMENT OF ADVANCED COUNTRIES LIKE THE U.S.A., THE U.K. AND JAPAN

The main purpose of this chapter is to trace the economic significance of small scale industries in industrially developed countries. For this purpose, the economies of the U.S.A., the U.K. and Japan are studied to underline the role of these units in their process of industrial development. The small scale units have been a source of employment and enormously contributed to gross and net national income which in turn increased per capita income and reflected favourably in the standard of living of the people. Thus, the steady development of small units in these countries brought about an evolutionary process of economic and social development. The following analytical study of the small scale industries in the advanced countries is highly revealing as regards their contribution to the economic and social development of these countries.

In the modern economies giant organisations have come on the scene after the evolutionary development through small scale, cottage, medium sized and large industries. The economic history shows that large industries are the developed form of small organisations. In spite of well known economies of scale, manufacturing process is not always and in every field more economical and easy in larger units than in smaller units. This is a truth even in highly industrialised countries. It is still more true in developing countries where markets are smaller, means of communication and transportation are less developed, financial resources are meagre, and above all people are less experienced about big organisations. A country can achieve success when its economy is well chosen with a combination of small, medium, and large scale sectors and the place of each is determined on the basis of economic efficiency. All the developed countries have followed this principle in their economic development.

As a matter of fact, in developed countries small scale units occupy a pivotal position in the process of industrialisation irrespective of their stage of development. They provide employment opportunities for a substantial labour force and account for a large proportion of all industrial establishments.

Thus, small scale industries not only occupy a strategic role in the economic development of industrially advanced countries but are extremely essential for less developed countries. Hence, it would be worth while to recall some of the resolutions passed by International Organisations to underline the role of small industries. The Asian Regional Conference of the 'International Labour Organisation' held in New Delhi in 1947 adopted a special resolution on the subject. The resolution suggested, inter alia, the desirability of the industrial production on the basis of small domestic and handicraft industries and emphasised the need for organising them "on Cooperative and federated lines....."¹

Official declarations on industrial policy of India show a similar view point about the importance of small scale sector. Its importance as an useful and effective measure for creating entrepreneurial talents, providing employment opportunities, mobilising untapped

¹ I.L.O. Cooperative Organisation of Small Scale, Cottage and Handicraft Industries, Geneva 1950, P. 5. Reproduced by Q.H. Farooquee, Small Scale and Cottage Industries as a Means of Providing Better opportunities for Labour in India, Aligarh University Publications, 1957-58 P. XIII.

and scattered savings, boosting export and checking imports, and above all for the dispersal of industries is more. The Industrial Policy Resolution of India 1948 states, "Cottage and Small Scale Industries have a very important role in the national economy, offering, as they do, scope for individual, village or cooperative enterprise....."¹ The Industrial Policy Resolution was renewed in 1956 in which an added importance is given. The Resolution points out; "They provide immediate large scale employment, they offer a method of ensuring a more equitable distribution of national income and they facilitate an effective mobilisation of sources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country."² Obviously the Industrial Policy Resolution recognised the necessity of the development of small scale sector because this sector offers various services to the economy as a whole. Like this, many other declarations might be quoted from a number of countries, and it is important to note

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1. The Industrial Policy Resolution was passed on 6th April, 1948.
 2. Reproduced in the Second Five Year Plan, Govt. of India, 1956. P. 47.

that various measures are taken by the governments to organise these industries on sound footings.

SMALL SCALE INDUSTRIES IN THE U.S.A.

The above resolutions can also be examined in the context of role of small scale industries in the economy of the U.S.A. which is one of the highly industrialised countries of the world and is, like wise, known as an affluent country.

The economic history of the United States shows that giant organisations are lesser than a century old.¹ The American might of industrialisation has grown from the seed bed of small business. To be an independent owner of a business is till the ambition of many young and old, professional and non-professional, labourers, educated and skilled persons for achieving self-sufficiency. All the sections of society are desirous to set up industrial establishments of their own even of very small size. It might have faced a considerable public opposition and ridicule in its primitive stages. Rail roads, telephone, telegraph, automobiles, steel, oil, departmental stores, chain stores and mail order houses

1. Vepa-Ram K. Small Industry in the Seventies, Vikas Publications, 1971.

which today exist as giant organisations, all were started by individuals with an idea of small scale. Before World War I, these categories of business which are known as big businesses used to be recognised as smaller businesses with a limited area of operation. Departmental store which is one of the giant organisations could be recognised by their present designation only after 1900.¹ Untill 1914, the newly developed monopolistic of large establishments in steel, oil and similar other industries did not receive the public attention. But fifty years after World War I, the world saw the strategic development of the giant corporations, trusts and monopolies, mass production and larger cities. With this steady growth of industries the American economy has become the symbol of big business throughout the world.

In the U.S.A., a century ago about 80 per cent of the American workers were self employed in small scale units. The balance of 20 per cent were employed in professions under others' supervision. By 1954, the situation got the different shape and in the same year only about 20 per cent people were self-employed while 80 per cent were in the dependent employment.² This fall in the

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1. Vepa-Ham K. Small Industry in the Seventies, Vikas Publications, 1971.
 2. Kelley, Pearce C. and Laver, Kenneth, How to Organize and Operate a Small Business, Prentice Hall Inc. 1955 p.5

ratio of self employment in small business shows that the prospects of small business in America are dim. But the case is different, the importance of small enterprises is more at present than past. It seems paradoxical to say that small business has a more favourable opinion today than it had fifty or hundred years ago knowing that self-employment has come down from about 80 per cent to 20 per cent of the total working force. Although larger corporations account for high employment but they are very few in number. In relation to larger units the number of smaller firms has increased rapidly. In 1952 there were 26 small firms per 1,000 population as compared to 22 in 1900.¹ In this way it is clear that the status of smaller business in American economy is significant.

The developed economies have defined the small scale units according to their scale of development. Thus,

1. Management Review, Nov. 1953 P. 634,

the U.S. Department of Commerce defines small business as "Manufacturing plants with 100 employees or less, retail stores, service establishments, hotels, places of amusement, and construction companies, with annual net sales or receipts of less than \$ 1,00,000, and whole-sale establishments with net sales of less than \$ 5,00,000.^I

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- I. (The Research and Policy Committee for Economic Development, Meeting the Problems of Small Business, New York, June 1947, P. 14).

The Committee of Economic Development while determining the scale of the business gave the following determining factors of the scale of business.

1. Management is independent. Usually it is found in a small business that managers are also the owners.
2. Capital is supplied and ownership held by an individual or a small group. In a small business of American type capital comes from different sources and mostly a small group of persons contribute towards the capital requirements of the venture.
3. The area of operation is mainly local, workers and owners are in one home community. Markets need not be local.
4. Size within the industry is relative, the business is small when compared to the biggest units in its field. The size of the top bracket varies greatly so that what might seem large in one field would definitely be small in another. The committee suggested that if a business satisfies any two of the above propositions, will fall under the category of small business. This criteria seems to be somewhat satisfactory because in it the four attributes are cited - independent management, owner capital, local area of operation, and relative size within the industry.

All these standards are relevant in connection with the needs and problems of small enterprises.

Before dealing with the actual role played by small scale units in building American economy it is pertinent to enquire in to the following: -

1. What is the role of smaller business in American economy in the modern world?
2. Is its role the same as it was before the advent of Corporate giant organisations?
3. Will rapidly changing technology force small business to the wall because of its inability to compete with large scale, well managed and adequately financed establishments?
4. Does the urban society with its growing - interdependence, rapid transportation and communication, increasing social services provide an environment in which small units can take root and grow?

The above questions, though, pose serious problems for the existence of small units, but they have been duly answered by the report of the Committee of Economic Development which states, "Whatever its type or stage of growth, the small business is a manifestation of one of the basic freedoms of American

life. This is the freedom to enter or leave business at will, to start or grow big, to expand, contract or even to fail. This freedom to be enterprising is an aspect of the economic democracy without which our (American) Political democracy can not exist."¹

It has been rightly stated above that the economic democracy can not exist without free entrepreneurship. It may be equally true to India. In this respect to be an independent entrepreneur the Americans got satisfaction of being known as an independent businessmen and not merely a servant who takes his orders from others. Moreover, the small business system is more efficient than large and giant business in certain markets and business activities. Never the less, the small business is a principal source of innovation of both materials and ideas. Thus, the above mentioned standards of performance of small units assure the future of small business in America. If any one of these standards proves faulty or problematical this creates difficulties in the way of future growth of small business. Judging

I. Reproduced in M.S.U. (Michigan State University) "Business Topics". Graduate School of Business Administration M.S.U., Spring, 1970.

the efficiency of small business in economic activity there are some industries in America like services and cosmetics etc. where small business system stands at top. The future of small business in American economy can be determined partly after making the investigations about their past performance and partly by the study of estimated future growth, by the analysis of past economic conditions and by the number of old business discontinuances, and the commencement of new business.

In 1940, there were about 3.2 million small business in U.S.A.¹ During 1944-47 as many as 98 per cent of the approximately new establishments were small.² By the end of 1968 it rose to about 52 million. The total number of small business houses is estimated by the Small Business Administration for fiscal year 1959 comes to about 5.4 million and about 6 million is forecasted for 1975. These estimates are shown in the following table.

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1. Edward, D. Hollander, The Future of Small Business, Frederick A Praeger, P. 129.
 2. Kelley and Laver.....op.....cit.....p. 17.

TABLE NO. 1

Number of Small Business Firms in the U.S.A.

For Fiscal Year 1969 and 1975 (Thousands)

INDUSTRY	1969 Estimated	% to Total	1975 Forecast	% of 1975 to 1969 as above.	Percentage increase in 1975 to 1969.
All Industries	5420	100.0	5990	110.5	10.5
Contract Construction	540	10.0	640	11.8	1.8
Manufacturing	340	6.2	350	6.5	0.3
Services	1090	20.1	1230	22.7	2.6
Retail Trade	2240	41.3	2360	43.5	2.2
Wholesale Trade	380	7.0	430	8.0	1.0
All Other	830	15.4	980	18.0	2.6

Source:- Office of the Planning, Research and Analysis - Small Business Administration, Quarterly Economic Digest Winter 1969 and reprinted in the M.S.U. (Michigan State University) op.....cit.....p. 14.

The above table clearly indicates the past performance and future prospects of small units in America. The number of small units at the end of the calendar year 1975 would be about 5.7 million. The table shows that there will be an increment of 570 thousand new Small Units till 1975, against 1969 in which year there were total 5,420 thousand

units functioning in the United States of America. The largest group among small entrepreneurs in 1969 was of retail traders with an aggregate number of 2,240 thousand units which represented about 41.3 per cent of all units in that year. The Second group was of service industries which accounted for about 20.1 per cent. Contract construction, manufacturing units and wholesale traders, if taken together, represented about 23.2 per cent of all small units. Other units which do not fall in any of the above categories accounted 15.4 per cent.

It is evident from the above analysis that in the U.S.A., the vitality and continuity are two important characteristics of the growth of small units. This can be further noticed in the cycle of births and deaths which accompanies expansion of small business. It is estimated that in recent years between 4,00,000 to 5,00,000 units have been started annually and that between 3,50,000 to 4,00,000 closed down. Unfortunately, the current data on small business starts and deaths are no longer available because the U.S. Department of Commerce has stopped estimating them since 1963. In the ten year period

between 1953 and 1963 business births averaged about 9.7 per cent of total business population and business discontinuances about 78 per cent. If it is assumed that these percentages applied in 1969 and that 95 per cent of the business population represented small scale business. The number of new business starts in 1969 was about 4,74,000 and the number of discontinuances about 4,02,000 with a net of 72,000 continuing in 1969. Based on the same assumption the forecasted number of new business starts in 1975 would be about 5,24,000 and the number of business discontinuances about 4,45,000.^I

The trend of increase in number of small units is due to the will of Americans. They want self dependence in regard to employment. Although, big business of the U.S.A. can provide ample employment opportunities to Americans but due to some problems they are losing public opinion because there is no security of health and life of workers. In comparison to big business, small business offers better security of health and employment.

I. These estimates have been taken from the M.S.U.
(Business Topics)- op.....cit P. 129-30.

Due to the present state of Indian economy, the small scale sector is given an added impetus to grow. The ultimate objective of economic development is human welfare. With regards to Indian conditions, it is difficult to achieve the human welfare by denying employment to a large segment of the population. According to a recent estimate, the backlog of the unemployment exceeded 18.5 million in 1971 out of which about 15 million persons were in rural areas.¹ It is expected that this figure might have reached to about 22 million. The population is increasing at high rate of about 2.5 per cent per annum.² As a result of the faster rate of growth of population, the pressure of unemployment, under-employment and disguised Unemployment on the economy has reached alarming proportions and is bound to worsen in the near future. Under the present circumstances it is, therefore, highly essential to develop small scale units in the country.

1. Weekly Review of the Bank of Baroda, Vol. II, No. 31, Aug. 3, 1973 P. 3.

2. Census of India 1971.

FUTURE PROSPECTS OF SMALL BUSINESS IN THE U.S.A.

From the above table No. I it is expected that total number of business units in the U.S.A. till 1975, would be about 6 million with an estimated growth of 10 per cent in comparison to 1969. In 1975 retail traders and service units would be representing about 39 per cent and 20.5 per cent respectively of the total number of small units in that year. In relation to 1969, their percentages would be about 43.5 per cent and 22.7 per cent respectively which shows an increase of 2.2 per cent and 2.6 per cent each. Contract construction, manufacturing, whole salers, and others, if taken together, will be representing about 44.3 per cent based on 1969.

The future prospects of smaller business in America depend upon two forces working together i.e. the Federal system of Government which expands its efforts favourable to promote small business ownership belonging to backward areas. By its own efforts, small industry stands no where and have no change of stemming the economic decay

existing in the central cities of the United States or recovering the side of rural poverty flowing from declining employment in agriculture, mining and other primary industries. In India, the credit to small units is available through institutional sources which are expanding their activities to provide better infrastructure for the development of small scale units in rural and semi-urban areas. The institutional sources of credit for small entrepreneurs have been discussed in the fourth chapter of this study.

In the U.S.A., Federal financing alone has not saved small business because money alone is not the main factor of this development. It is management assistance which is important. Without basic skills, small industry often has operated only marginally, and frustration and dependency have developed with disastrous results.

"Many of the existing small business men are operating marginally and out of ignorance rather than through understanding of the proper techniques for running business.....Planning in any real sense is conspicuously absent and forecasting is simply one of the unknowns. Success is associated with hard work and long hours so that "mule power" substituted

for good business sense and financial returns are proportionate to the former in far too many instances to justify the business....."¹

In India and some other developing countries, it is rightly believed that only institutional and government assistance can not improve the working conditions of small units. In fact small entrepreneurs with the coordination of government agencies should make efforts to create better working conditions in the country.

The role of professional business managers, technocrats, change agents² and other personnel are vital for the development of small scale business in the U.S.A. The managerial problems of small business entrepreneurs are tackled by the business managers. For solving technical and legal problems of small entrepreneurs, a change agent plays a variety of roles like analyst, advisor, advocate and innovator. He performs all these functions

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1. Small Business Opportunities Corporation, Final Report July 1 to Dec. 31, 1967, Philadelphia 1968, P. 27-28.
 2. Change Agent is the other name of legal and financial advisor or mediator used in the U.S.A. He helps in making good relations between the small business world and the professional expertise. He advises whether to produce or to buy and where, how and what to produce. He used to act as innovator, analyst and advocate for small business houses.

either singly or in combination. He collects and organises all necessary means and has adequate knowledge, skills and attitude to achieve desired goals. He successfully transfers knowledge and understanding to his clients to get success in their business.

Through the medium of a change agent, it has become possible to bring about the changes in the attitudes of small business management practices which have significant effects on the future of small business in the U.S.A. Since the businessman is the product of Socio-cultural environment, he is apprehensive of the consequences of making the necessary decisions required to earn maximum profits. A change agent recognises the risks facing business where the chances of success are greater or lesser. His performance record in less developed areas of the United States is taken as surprising.

Business devices and management training programmes offered by the universities, federal and state agencies are successful in promoting better technical managerial and commercial practices particularly in rural areas. Being a small entrepreneur, he is used to be hesitant to enter in the formal class discussions and seminars that will

reveal full knowledge to success in his business or show his lack of knowledge about business matters. The most appealing thing in achieving attitudinal change towards business management in the United States is the establishment of rapport between two individuals, one offering assistance and the other receiving it.

The offer is made in such a way that it does not down grade the self respect of the client whether he accepts it or not. The change agent has the necessary technical competence and business background plus the unique capacity to establish a relationship between himself and his clients. Unfortunately such persons are rare and hard to find in India. In the country many small units located both in urban and rural areas are not willing to accept the services of outside experts. They are only interested in the services of their relatives and near ones. Since their emotional boundaries and ties keep their interest localised in their own community. Therefore, they do not have interest in the opinions of outside world. To overcome this problem, it has become necessary to develop a methodology and technique for providing assistance which would be acceptable to small entrepreneurs.

The small businessman who refuses to accept professional assistance in identifying problems and developing appropriate and realistic solutions, given in his socio-cultural environment, faces growing business risks and dim prospects for business success. Mostly his business may fail. But by convincing him that he does not have to fear change, a favourable climate for small business can be created in the country. It is this aspect of professional personnel which provides hope for small industrialist in his struggle for success.

The forgoing analytical study reveals that the small scale units are playing a vital role in the economic development of the United States. They are growing rapidly in number on account of their performance in the field of creating employment opportunities, increasing incomes of people, contribution to gross and net national production.

For the phenomenal growth of the small business in the U.S.A., the roles of different organisations are vital. The professional managers, technocrats and change agents all play equally an important role and create a favourable climate

for small entrepreneurs. Federal and State agencies makes all possible efforts to remove basic hurdles in the way of the development of small units. Apart from this, small businessmen themselves make appreciating efforts to grow their business. For their continuous progress they keep close touch with their associations, trade press, suppliers, mercantile agencies, and local bankers etc. and respond favourably to informations supplied by these agencies. But Indian small entrepreneurs lack such facilities favourable to the growth of small industry. The organisations available in India are not as effective as in the United States. They are discussed in detail in subsequent chapters.

I now turn to discuss the role of small scale industries in the economy of the U.K. which is known as a country of small shops and factories.

SMALL SCALE INDUSTRIES IN THE UNITED KINGDOM

HISTORICAL SET UP OF INDUSTRY IN THE U.K.

The first phase of business activity of England started from the date back when petty capitalism was in operation. It can be seen from the records of the ancient and medieval towns and its progress in the early history of England. In the early days of economic development England was simply a country of

small shop-keepers, hucksters, pedlars and travelling merchants. The capital of these groups was used to be small and they gave more emphasis on economic equality which was normal and threatened only on rare occasions until the system came near to an end. Each businessman learned his job with or without apprenticeship and in due time became a small master in his own right. When economic and social conditions were favourable to them, these small masters formed guilds for protection, mutual aid, and monopolistic advantages. In those days the product was used to be sold on town markets, in stores, in shops where it was produced or from house to house. Although, whole-saling was in existence but it was in conjunction with retailing.

In the early beginning, a small businessman owned his capital, had full control over business activity, formulated policies, managed everything and was chief workman of his profession. His records were scant and his system of book keeping was crude, though, it was adequate. His home and place of business were under one roof unless he was a huckster, pedlor and one or two apprentices constituted his helpers. His skill was personal, and technique was traditional.^I And as the time passed on small business enterprises got moderate status.

I. Field, Wester, Middlemen In England Business, P.245.

From the above, it is clear that before industrial revolution specially in the early part of the eighteenth century, in the U.K., industry was mostly on domestic pattern. It was either because of natural conditions or the nature of operation of business activity. For example, the coal mines required the gathering of a number of workers in-to one place. The leasing of mines, the payment of wages till it became productive and the cost of necessary equipment all made for a capitalistic organisation. In the coal industry, the coal owners had already become the main person in the organisation and the production was on the wages basis. In this era industrial workers owned nothing except their labour. Similar conditions were created for iron and copper mines, "Lead mining in Derbyshire and tin mining in Cornwall were on the free basis, discovery of the metal carried with it the right to work in the discovery regardless of the land lord but even here in the eighteenth century with the deepening of mines and the increasing expense of equipment and operating, the small master was disappearing before the capitalistic mine owner".¹

1. Field, Wester, Middlemen In English Business P.250.

a second class of industry that had taken on capitalistic organisation consisted of those in which non-human power had been adopted. The earliest type of this class was corn mills which were run by water. But the true representatives of the new factory type were the silk mills at Derby where the introduction of complicated machines made power necessary and where the work people had to come together to attend the machine.¹

Apart from the above, however, it can be said that the industry in the eighteenth century was domestic and traditional in nature. The salient features of this industry were the same as it applied in the name.

CHARACTERISTICS OF ENGLISH DOMESTIC INDUSTRY:-

The unit of the organisation is always the household, workman is his own master working in his own home, superintending the work of his household which besides his family includes his apprentices and his journeymen. After the Industrial Revolution, in England, there is a complex system of industry.

1. Louis, W. Moffit, England on the Eve of the Industrial Revolution P. 194.

At present, there is no such demarcation between large and small scale industries. But, however, in books and treatises on industrial subjects, units employing less than 500 workers are generally referred to as small units.¹

Since the eighteenth century, small scale units are developing in England rapidly. This development is due to various services of small business houses for the economic development of the country. Although, Industrial Revolution has helped a lot to promote small scale units in to large and medium industries but on account of their own advantages to the society these small units still occupy an important place in the economic activity of England. The percentage of small units employing less than 100 workers is 27 per cent of all units in the country.²

ADVANTAGES OF SMALL BUSINESS:-

The small scale business system of England has many advantages as a productive organisation.

There is a freedom from supervision that should have

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1. Development Commissioner, Small Scale Industries in India, The Government of India, New Delhi, 1968 P. 58
 2. U.N.O. - Small Industry Bulletin for Asia and the Far East No. 5, 1967, P. 61.

tended to develop a great sense of responsibility and dependableness of character among workers. The family which constitutes a small unit is enabled to work together in-stead of being separated as in the big factory system. Children, while they are required to work, can work under the supervision of their parents. The healthiness of the occupation is perhaps not to be attributed to the cottage industry which was placed in the rural districts. In this system family members devote as much time and energy as they can, because in it they have their individual and mutual interest.

These small units enabled Britain to attain self sufficiency in many economic and social affairs. Since these industries use capital saving and labour intensive techniques, therefore, production through small units is possible at minimum cost and at the same time more employment opportunities can be created. Presently, small scale units provide employment to the extent of 25 per cent of total employment. In the U.K., like the U.S.A. and Japan the two sectors of industry are well integrated with each other.

Moreover, in a capital scarce country like India, it is not possible to go in a big way for large scale industrialisation to create full employment conditions.

In such circumstances, the only practical solution for the present malady - the surplus labour used the shortage of capital - is to develop labour intensive industries. The cottage and small scale industries being production oriented provide the most practical solution in the present context. They offer job opportunities for a large number of persons with a very small capital investment. By using local resources and local skills they meet local needs as well as local requirements of far-off cities apart from earning valuable foreign exchange in some cases. Being house hold units, they do not require much training in the sense that professional skills pass over from the father to the son. Thus, small scale and Cottage industries are best suited instruments to keep a pace with the economic development.

In the U.K., Small scale firms are commonly found in textiles industry and services. The popularity of small scale units is increasing due to consumer preference for these industries. Most of the self employed workers prefer to have small shops in stead of being employed as a hired labour whose services are at the stake of the industrialists' whims.

On account of all these things small units are familiar in the U.K. and the government and private agencies provide innumerable facilities for their growth.

GOVERNMENT ASSISTANCE FOR SMALL UNITS:-

The small scale units play an important role in the economic uplift of the U.K. The Government is quite liberal to provide basic facilities to these units. These facilities include financial as well as technical aid. Now the Government exercises a far more pervasive control over business decisions than it did before Second World War. It is because the Government has realised the importance of small units for improving the level of employment, the rate of accumulation of savings, the position of balance of payment, the distribution of incomes, the location of industry, reducing the degree of monopoly and generally the correlation of glaring discrepancies between private and social costs.

The government intervention is very effective to control the industrial activity. "The most conspicuous form of government intervention is the

use of "global weapons"¹ to achieve "global ends."² But governments also constantly intervene in a selective and discriminatory manner; that is in such a way as to influence or determine the price, production, and investment policies of particular firms or industries. "They do partly through a wide range of positive and negative indirect taxes (specially purchase tax) partly through legislative action (for example on restrictive agreements on the location of industry) partly through selective physical or hire purchase controls, partly through their influence as a final buyer of goods on an enormous scale and partly through their pressure and persuasion."³

In the matters of finances for small scale units, the government provides assistance to these units through various agencies. The Development Commissioner is a government body whose very function includes aiding and developing rural industries and agriculture, the development and improvement of fisheries. Other related

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1. Global weapon means non discriminatory fiscal or monetary policies.
 2. Global Ends: - include to determine the total level of demand and the broad division of output among consumption, investment, exports and social expenditure.
 3. Crosland, C.A.R., The Private and Public Corporations in Great Britain. The Corporation in Modern Society, Harvard University Press, 1970 P. 263.

functions of the body are mainly concerned to promote economic development in the country. The main function of the Development Commissioner is to consider and recommend to the treasury the applications for advances from the development fund. These advances may be extended with the sanctioning of treasury loans by way of a grant, loan or combination of both. In the field of small scale units, the Commissioner recommends grants for the development and encouragement of rural and craft industry.

The British Productivity Council and the British Institute of Management stand to provide services and facilities for firms of all sizes which include small units also. The same thing can be said about the Scottish Council which is non-profit making organisation supported by contributions from local authorities, banks, industries, trade unions, and private members. It provides assistance in procuring contract work, in tapping sources of finance for small entrepreneurs in developing export markets, and making available technical and managerial advice and information.

Thus, in Britain various agencies and institutions (government, semi-government and private) are providing financial and technical assistance to small scale sector. These agencies create every avenue to make the working of small scale units easy and simple as much as possible. Due to various efforts made by these organisations small scale units are operating and getting national importance in development programmes otherwise they would have disappeared from economic picture after the Industrial Revolution.

After the Second World War, larger and medium scale firms have been promoted at a faster rate but at the same time small scale units are also not lagging behind. They are developing with larger combines. On account of their popularity Britain is called as a country of small shops and factories. In this context it can be stated that the role of small units in the U.K. is highly appreciable in the field of employment, production, level of consumption, savings and exports. The same remarks are of significance to Indian conditions too.

After examining the role of small units in the development of the economy of the U.S.A. and the U.K. it is worth while to discuss the part played by these units in the economic development of Japan which is one of the leading industrial country of Asia and the Far East.

SMALL UNITS IN JAPAN

FEATURES OF JAPANESE ECONOMY:

The Japanese economy has common characteristics which are prevailing in developing countries. One of such characteristics is the existence of dual economic system. The dual system refers the industrial structure under which modern large scale enterprises exist with small scale and traditional firms. This type of dualism is the result of long industrial evolution in Japan. In the Tokugawa period Japan lived an isolated life. During 1850's an ideological movement gained momentum and it gave rise to overthrow the Tokugawa regime and later, the establishment of a centralised national state based on imperial rule. From that time Japan gave rise to conditions that necessitated a change in the organisation of the state and society.

After the restoration of Meiji rule in 1868, Japan entered into a new period of social and economic change. The early years of Meiji period witnessed the abolition of feudal system^I and those customs and practices that tended to retard national development. The rapid industrialisation of the country became the primary economic objective of the Meiji leaders. Translating this objective into actual practice they pursued it with ruthless vigour and they were bent upon to create a strong Japan that could effectively check foreign aggression. For this purpose they early realised the importance of rapid industrialisation of the country. For this purpose private capital was felt unable to fulfil the object of undertaking industrial programmes chalked out by the then people. Therefore, the Government itself came forward to develop heavy industry and communication and to encourage private capital to expand consumer industry. The shortage of capital to expand consumer industry was met through the acceptance of foreign loans though the state policy with regard such loans was strict.

I. Feudal system was a social and economic system in Europe during the Middle Ages based on holding of land in fief or fœ and on the resulting relations between lord and tenants.

During this period, the national slogan was "to build a rich country, a strong country" at the shortest possible time so as to withstand the Western pressures. Consequently, the government encouraged large scale sector in a big way and helped the private sector to grow. The result of this was that the economic power concentrated in the hands of few families only and that were known as Zaibatsu. The structure of capital and money markets also strengthened the position of Zaibatsu. The institutions of Zaibatsu contributed greatly toward the huge accumulation of capital and modernisation of technology, which under-pinned Japan's industrial development. It enabled Japanese people to reap the economies of large scale organisation even though the productions themselves were small and provided managerial skill to large scale sector. During this period, it was considered fit to import the technology and skill from abroad so that industries might get encouragement. The importance of imported technology too led to the bias in favour of the large sector. On the other hand the consumption pattern of Japanese people remained unchanged for traditional goods which helped in continuation of the small scale industry in consumption goods sector. At the same time, the large scale sector adopted the system of sub-contracting which gave a big push to small sector to grow. With

the introduction of sub-contracting system the small scale units work as ancillary units to larger firms and their product is used as feeder items.

DEFINITION OF SMALL UNITS:-

In Japan by small industry is meant, "those relatively small in scale of management and capital investment." Although the basis for classification varies according to the type of industry and cannot be generalised. In Government Offices the term is used as "those industries employing less than 300 persons in the manufacturing industry and with an amount of capital falling short of ten million Yen."¹

According to the Small Business Basic Law of 1963 a Small Unit is defined as one-²

- (a) In Industry "which has a capital or total investment not more than Yen 50 million or regular employees numbering not more than 300".
- (b) In Mining "Of capital not more than Yen 50 million and regular employees of not more than 1000", and
- (c) In Commerce "Of capital not more than Yen 10 million or regular employees not more than 50".

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1. "Small Scale Industries in India, Development Commissioner, Small Scale Industries, Ministry of Industrial Development and Company Affairs, Govt. of India, New Delhi 1968 P. 58."
 2. Ibid.

It may be commented that in Japan, the term small business also includes medium scale firms. While in other countries and specially in India, the entire industrial sector is divided into three groups as small, medium and large. Perhaps, it is due to the fact that Japanese word for small business "Chusho Kigyo"¹ is literally translated not merely as small business but small and medium enterprises. For making a quantitative difference between medium and small scale enterprises Prof. Nakamura of "Senshu University" gave the following definition of Small Units, "Those having more than 100 million Yen of Capital and having more than 250 stock holders as listed on the Tokyo Stock Exchange."²

It is evident from the above that in most cases there is no limit for employing capital in the small scale sector in Japan. The extent of capital depends upon the requirements of a particular unit. But in India, the investment limit is fixed and a unit can employ Rs. 7.50 lakh as maximum amount of money in plant and machinery only. In the present

1. Vepa, Ram; K. Small Industries in Japan, Vora & Co. Publishers Private Ltd. 3 Round Building Bombay, 1967 P. 36.

2. Vepa, Ram, K. - op.....cit. P. 39.

conditions of rising prices of all commodities and falling value of the rupee it has become very difficult for small scale units to instal sophisticated machinery in Rs. 7.5 lakh. Therefore, the definition of small scale units be revised. The limit of investment in plant and machinery only should be raised to Rs. 25 lakh. This needs a change in the loan policy which is necessary to finance these industries. A change, no doubt, is to take place in the loan policy so that small scale entrepreneurs can seek loans in larger amount from different financial organisations.

Like Japan, the Indian Small Scale sector should also include small scale as well as medium scale industries. With this the scope will be widen and more units can avail the services offered to small scale units on easier terms.

ROLE OF SMALL UNITS:-

In Japan, the small scale enterprises occupy an important place in the national economy. In 1960, the number of small units was about 3.20 million representing about 99.4 per cent of the total number of all industries. Out of this number trading establishments accounted for 1.75 million and services for about 0.65 million.

The number of establishments managed by the owner and his family was as much as 2.45 million or 78 per cent of the total. Thus, it is clear that the bulk of the small establishments in Japan are owned and managed by families and are in the field of trading and services. Small units in Japan represent about 50 per cent of all manufacturing concerns.¹

In the field of employment small scale firms provide greater employment opportunities. In 1962, 17.2 million people were engaged in this sector which was equivalent to 78 per cent of all the employees in Japan.² According to the Statistics Bureau of the Prime Minister's Office the number of workers employed in small units amounted to 24.8 million accounting for 79.7 per cent of the total number of workers in private sector.³ It may, significantly, be noted that while numerically small units registered more than 99 per cent of all business units, the labour employed by them was correspondingly much lesser. According to the recent statistics available it is clear that out of 26.2 million workers nearly 85 per cent belong to small scale sector.⁴

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1. Vepa - Ram K. - Small Industries in Japan, Vora & Co. 1967 P. 41.
 2. Ibid.
 3. Vepa - Ram K. - Small Industry In the Seventies, Vikas Publications, 1971, P. 55.
 4. Ibid.

In total production of all industries, share of small units constitutes nearly 50 per cent. In terms of value they represent about 47 per cent.¹ The cost of production in these industries is very low on account of their very nature. The product of these industries can easily be adjusted to changes in the market situation. Export articles such as bicycles, razor, textiles, knitted goods etc. are manufactured in these factories at extremely comparative costs. These enterprises have developed and are still developing side by side with large companies in distinctly separate spheres.

In Japan, small enterprises are dominant in construction, banking, real estate, retail trading, mining, manufacturing traditional articles, communication and service utilities. In heavy and chemical industries, small business contribute only one third of the total product. In light industries, the share of small enterprises in total production is as much as 65 per cent. On the whole, total production of small enterprises stood at 48 per cent of the total industrial products.²

1. Ibid.

2. Ibid.

In the export, the bulk of exports from large units consists of finished goods manufactured by small units in the assembly shops. No longer, the export trade of Japan was confined to a short list of articles such as cotton piece goods, toys and paper goods etc. But she is now exporting a variety of articles like turbines and motor cars, wireless sets, transistors and radios, watches, sewing machines, and many other household and industrial articles. Today she is second largest producer of artificial silk in the world. She is now competing with the western producers by quoting prices which are not merely lower than her competitors but which may amount to less than one half and some times to less than one quarter. All it is due to the steady progress of small units. Since these units are in a position to produce quality goods at cheaper rates. Japanese producers are, therefore, in a position to supply goods at lower rates than the producers of other countries.

Exports by small units in Japan amounted 17,400 billion Yen (about \$ 48.6 billion) in 1966 which accounted for 50 per cent of the total exports

in manufacturing sector. In commercial sector, small enterprises accounted for 43.6 per cent of the total exports by whole-salers and 82.3 per cent of exports by retailers.^I

SUB-CONTRACTING SYSTEM:

This system was started in Japan with a view to abolish the competition of different producers. The sub-contractors under this system act as sub-contractors to large scale enterprises and are bound by strong links in the interest of quality of link product manufactured by the large units. The small scale industry in turn enjoys free flow of raw materials, assured markets, technical and managerial skill, financial and other necessary assistance from their parent units. One of the main features of sub-contracting system is that there is no contractual relationship which binds the parent company to the sub-contractor. The growth of sub-contracting system in Japan is mainly because of the technological advancement and the fact that the specialised producer finds it difficult to mass produce a certain product and he has to sub-contract many parts and components.

I. Vepa. Ram. K. op.....cit. P. 55.

The sub-contractors themselves then specialise in mass production and thus, in turn, promote a few more sub-contractors. In other words, each small unit contracts on a few items and adhere to all specifications as desired by the principal units. This enables standardisation in real sense.

TYPES OF SUB-CONTRACTOR:

There are various types of sub-contractors. First are the primary sub-contractors to the parent company. Second type is the contractors to sub-contractors and they are known as secondary sub-contractors. At a time, there may be as many as four or five tiers of sub-contractors, each delivering the goods or components to the company above at predetermined price. It is estimated by the Ministry of International Trade and Industry (M.I.T.I.) that almost 60 per cent of the small units act as sub-contractors to parent companies.^I

This system has given rise to standardisation and quality control techniques. It also makes possible functional specialisation at each level.

I. Vepa - Ram, K. Small Industry In The Seventies, Vikas Publications 1971 P. 71.

With this system, many cooperative associations of sub-contractors have been also formed at various levels. It has promoted ancillary industries and has enabled small units to have financial and technical assistance from the government on easier terms. There is an assured quality control by parent company as design and technical demonstrations are given to small scale units.

In India, efforts are being made to establish healthy ancillary relationship among large and small scale units. But the results are not encouraging. Small scale units some times face a tuff competition with large units producing similar products. It is needed that larger units should change their attitude and treat the small scale units as their child organisations. They should treat them as complimentary instead of competitors and guide them in procuring raw materials, installing new machinery and equipment; searching new markets, seeking loans, improving technical know-how, standardisation and quality control. A balanced development is possible only when coordinated efforts are made by the small scale as well as the large scale sector.

Further more, the ancillary units are to work with lesser operational expenses as they get payments on supply. There is a law operating in Japan known as "Law for the Prevention of Delayed Payments to Subsidiaries" which assures that the payment to sub-contractors will be made by the parent company within a few days of delivery. They need not to go in search of market, the intermediaries are kept away and in certain cases the raw materials of intermediaries are spared by the parent company. In India, efforts are being made to check the delayed payments by the parent organisations which purchase the product of small units.

It can be revealed from the above that the role of sub-contractors in the promotion and growth of small industry in Japan is significant. The system has helped the Japanese economy to grow rapidly and has provided a sheltered position to the small entrepreneurs to function smoothly under the powerful wings of large enterprises. With the active support of this system the small enterprises are inspired to grow and, therefore, the government have framed the policies for the development of such units.

STATE POLICY FOR SMALL INDUSTRY IN JAPAN:

The Japanese Government always remained attentive and liberal for the growth of this sector in every era in one way or other. Since the restoration of Meiji rule in 1868, the government directly or indirectly have been helping small scale units through various laws. It was only Meiji government which refrained itself from the direct intervention or control. But indirectly it helped in increasing the efficiency of this sector. With a view to gain in export trade after 1884, it passed several laws to encourage small entrepreneurs for the production of standardised goods. These laws encouraged the habit of cooperation and mutual help among small entrepreneurs. Again in 1925, some other laws were passed which provided for the setting up of voluntary bodies to maintain quality. Some of these laws also provided the compulsory inspection of goods.

Prior to great depression of thirties, the government efforts were mainly confined to improving quality and standard of export articles. But during and after the depression government played some active role in giving relief to small industries which were hard hit by falling prices. Under these measures the government allowed price support subsidies and

organisational facilities. During the depression the state made an effort to organise small industrialists and traders in to "manufacturers' guilds" and "export guilds". They were provided low interest loans and small subsidies and were encouraged and directed to carry out functions of cooperative purchases, sales and credit. Since the depression of 1930's the governments are paying more attention than ever before to develop this sector.

The present system of Japanese Government succeeded in stimulating industry and export trade in many ways, and watches more zealously than any other government for the well being of small sector. Because of Government support, the Japanese concerns have become partners and supporters of the state in the great patriotic drive for industrial expansion and for the development of exports. One of such examples is the Mitsubishi which helps government in export and foreign collaborations. Japanese government have been able to redress certain disadvantages of small units existing in the lower spheres of industry by coordinating them on a higher level.

The Japanese factory legislation allows small industry to exploit this situation more fully than is possible for the more efficient medium sized and large scale units because of the most important law affecting the hours of work. The law restricting them to ten hours a day, which includes one hour of rest for woman and children as a rule for small scale units. Under these policies small scale units are entitled to get following facilities.

(1) SUPPLY OF ELECTRICITY AT CHEAP RATES.

The wide spread electrification of the country based mainly on water power which supplies small units with cheap power.

(2) EFFICIENT TRANSPORTATION:

Another important facility provided by the State is the easy and efficient transportation. The existence of this facility made the movement of raw materials, labour and finished goods easier.

(3) FINANCIAL HELP:

With regards to the capital requirements of these industries the government is playing a positive role. Some of the capitals needed by household enterprises and small units come from the cooperative societies.

In India, the small scale units are generally financed by cooperatives. Now the nationalised banks are also financing these units on liberal terms.

(4) EFFICIENT LABOUR:

Japan has succeeded in creating the cheapest labour supply from her large and adaptable population. Although, wage rates in comparison to some of the Asian countries are higher but if they are compared to efficiency and productivity they are fair. At the same time, her traditional, and inexpendingly run civilization has enabled her workers to maintain living standard, which as a whole is higher than that maintained in other industrial countries. All, it is the result of balanced development of industries. Because of the cottage and small industrial production the export has increased to a maximum in the recent years.

In Japan as well as in the U.S.A., and the U.K., public attitude toward small scale units is favourable which has helped the rapid development of these units. These units are the result of historical and social circumstances. The sense of discipline, obligation and loyalty has helped to provide well disciplined

and hard working labour force which cooperate entrepreneurs in their struggle to produce quality goods at cheaper rates.

In India, public attitude is not so favourable as it is in developed countries. There is a lack of discipline and obligation. Due to climatic factors the labour cannot work for longer hours and so much efficiency is not utilised as in Japan.

In fact, Japan's economic development depends much upon her small units. Increasing paucity of funds and technical skill, justified to place emphasis on virtues of small scale units. Due to steady development of small scale units, the economic growth rate is increasing. Averaging more than 12 per cent growth rate and reaching at times the astonishing figure of 17 per cent, Japan ranks third nation in the world next only to the U.S.A. and the U.S.S.R. In strategic sectors such as steel, ship building, automobiles, electronics, chemicals etc. it is either number one or amongst the first three in the world.¹ Small scale units made possible the utilisation of local materials, markets and pools of unemployed labour. Thus, they have created the atmosphere of capital formation in Japan as well as in India and other developing countries.

1. Vepa - Ram. K. Small Industry in the Seventy, Vikas Publications, 1971 P. 51.

LESSONS FROM JAPANESE EXPERIENCE:

From the Japanese experience many under-developed and developing countries like India can draw useful lessons for development. To face the paucity of funds and infrastructural difficulties more emphasis should be given to small scale sector. For, it is an effective tool of mobilising local resources on a vast scale. And whatever small scale units are operating should increase their efficiency by introducing modern innovations whenever possible. Another thing to be noted is that the competition between larger establishments and small units should be eliminated to the extent as far as possible. Small units should remain in complementary and not in competitive relations with larger enterprises. Last but not the least, the governments of countries should not lose sight to see the problems of small sector. Government subsidy and help at crucial times may be required to supplant private capital and resources of these units. The government should provide environment to small units for their steady growth.

The analytical study of this chapter reveals that the small scale industries constitute the backbone of both developed and developing countries.

Occupying commanding heights in the strategy of development, these industries have become an invaluable weapon in bringing in to harmonious balanced, integrated socio-economic order in the developed economies. By fruitfully availing of the technical know-how and other forms of tangible aid so seriously offered by the advanced countries like the U.S.A., the U.K. and Japan, the enterprising entrepreneurs of these countries have been making impressive strides in giving a fillip to this vital - sector.

In the United States, small business plays a pivotal role in providing employment opportunities, increasing national and per capita income, and above all improving the standard of living of people. Due to all these advantages of small business enterprises various assistance in the field of finance, marketing and management are provided through federal, and state agencies and private professionals, technocrats and the change agents.

These small units play a similar role in the economic development of the United Kingdom. In the U.K., these units are so familiar that in spite of the Industrial Revolution the U.K. is known as a

country of small shops and factories. These units are provided financial and other assistance through various agencies. The small scale entrepreneurs themselves are active to solve most of their problems through their guilds and associations. These units represent about 27 per cent of all units in the U.K.

These units play still greater role in building Japanese economy. A large number of population in Japan earn its livelihood through small scale and cottage industries. These units represent about 99.4 per cent of total industrial units in the country. The role of these units in Japan is so vital that sometimes they assist the government to enter in to a Joint Venture with foreign government. Most of the problems of small scale units of Japan are solved through the coordinated efforts with the help of sub-contracting system.

The rate of economic growth of Japan which is estimated to be 17 per cent, is increasing due to productivity of small scale industries. Japan has now emerged as one of the great industrial nations not only of Asia but of the world through the development of its small scale, medium sized and large scale industries.

Likewise, small scale units can play an important role in India. The experience of developed countries shows that in developing countries particularly in India, these units can play still a dominant role if their problems are tackled properly and some modern technical and managerial innovations are introduced in their working. In this context the next chapter deals with the problems and prospects of small scale units in the economic development of India with special reference to Uttar Pradesh.

CHAPTER II

PROBLEMS AND PROSPECTS OF SMALL SCALE
INDUSTRIES IN INDIA WITH SPECIAL
REFERENCE TO UTTAR PRADESH

The previous chapter dealt with the role of small scale units in the economies of the industrially developed countries like the U.S.A., the U.K. and Japan. It has been pointed out as to how small scale industries have proved a vital role in their process of industrial advancement. Their experience to India is all the more relevant where majority of population is engaged in agriculture and there is unemployment, under-employment and disguised employment for millions of people.

Although, small scale units have shown some promise in enhancing the per capita income of the population, raising the level of production, checking imports and boosting exports yet much improvement is desired in their working to make them viable units.¹ Before proceeding to examine the problems of these units, it would be pertinent to refer at this stage their definition with a view to determine the scale of operation of these units. In India, there is a great deal of controversy

as to the definition of small scale industries.

For determining the scale of this sector various definitions have been adopted at different times. The Small Scale Industries Board in 1955 defined a small scale units as, "One employing less than 50 persons if using power and less than 100 persons without the use of power and further more with a capital assets not exceeding Rs. 0.5 million."¹ In 1959 some alterations in the number of workers were made without any change in the investment limit. Again in the year 1960 the definition was revised. Under this revision the employment ceiling was discarded altogether without any change in the investment limit.² At present all those units are included in the list of small scale industries in which the investment in plant and machinery does not exceed Rs. 0.75 million irrespective of the number of workers employed.³ For ancillary small units a separate definition is adopted i.e. "A Unit which produces parts, components, sub-assemblies, and tooling for supply against known or anticipated demand of one or more large units manufacturing/assembling complete products

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1. Development Commissioner, small scale industries in India, Govt. of India, Ministry of Industrial Development and Company Affairs 1968 P. 53.
 2. The revision was done to enlarge the scope of small scale sector under letter No. 12-331(A)(136)/57, dated Jan. 4, 1960 of the Ministry of Commerce and Industry, Govt. of India.
 3. Development Commissioner, op.....cit.....P. 56.

and which is not a subsidiary to or controlled by any large unit in regard to the negotiation contracts for supply of its goods to any large units. This shall not, however, preclude an ancillary unit from entering into an agreement with a large unit giving it the first option to take the former's output.¹ The investment limit in capital assets for small scale ancillary units is enhanced to Rs. 1.0 million.² The investment ceiling is increased to widen the scope of small scale sector so that more units may get the benefits from the various assistance programmes undertaken by the government and other private agencies. Another argument is the increasing prices of modern machinery and equipment. It has been pointed out in the first chapter that the definition of small scale units should again be revised. In the present state of rising prices of industrial machinery and other equipments, it is greatly felt that the investment limit should be increased to Rs. 25.0 lakh. If the small units are allowed to invest sufficient funds in machinery, they can make use of modern and sophisticated machinery and equipment, and consequently the economical and large scale production in the small scale

1. Development Commissioner, Small Scale Industries in India, Govt. of India, Ministry of Industrial Development and Company Affairs 1968 P. 56.

2. Ibid.

sector can be achieved.

In spite of several efforts made on the official and non-official levels to develop small industries, they are still facing a number of problems like shortage of raw materials, lack of modern and sophisticated machinery, meagre financial resources, lack of skilled workers, poor management, lack of technical know-how, problem of marketing and export, problem of research and development, etc. etc. These problems of small scale units can be solved with the coordinated efforts of government and entrepreneurs and the establishment of proper organisations. In the following pages various problems faced by a small scale entrepreneur are dealt in some detail to suggest suitable measures in the working of small industries.

I. SHORTAGE OF RAW MATERIALS.

The main difficulty of small entrepreneurs in India is that of raw materials and their procurement. Although, small scale units have grown tremendously in number but they are seriously affected with the shortage of raw materials. They are not supplied raw materials and imported components in satisfactory quantity.

In the matters of procurement of raw-materials, small scale units are found in a disadvantaged state. It is rightly stated that due to competition from the larger producers and the lack of financial resources, these industries do not get raw materials of good quality and in some cases they do not get enough supplies even of the inferior quality of raw material."¹

Similar is the view point of the International Perspective Planning Team. The Team in its report pointed out, "Of all the present difficulties, raw material supplies available at competitive prices appear to be the greatest."² The Team pointed out the uneven distribution of raw materials among small units. It analysed that nearly 60 per cent firms of its sample reported a severe shortage of raw materials and components.³ These could only be purchased at higher black market price which is unprofitable for them to expand their production to full utilisation of capacity. The other 18 per cent of sample firms stated that they could not get additional supplies at any price.⁴

1. Farooque, Q.H., Small Scale And Cottage Industries As a Means of Providing Better Opportunities For Labour In India, Faculty of Arts, M.U. Publications, 1957-58 P. 17.

✓ 2. Report of the International Perspective Planning Team, submitted to Govt. of India, 1963 P. 134.

✓ 3. Ibid.

✓ 4. Ibid.

Half of the sample units remarked that they were facing a keen competition with large firms producing a similar products and enjoying facilities of allocated inputs at fixed prices. On proper examination the Team, found, "On the average, they were allocated 85 per cent of their one shift requirements. In contrast, smaller competitors received allotments to cover only 33 per cent to 40 per cent of one shift requirements.¹ Hence it can be pointed out that discrimination is done at greater extent between large scale and small scale units. In order to safeguard the interest of small units and provide them facilities to work to the full rated capacity, the state government should set up a centralised agency to keep a constant and strict vigil on the availability of raw material. It should also examine the actual raw material requirements of small industries and ensure timely and adequate supply through indigenous production or imports.² To some extent the U.P. State Small Scale Industries Corporation has undertaken the responsibility to distribute raw material amongst small scale units of the state through its raw material depots. The actual performance of the corporation is dealt in subsequent pages. It should be sufficient to mention here that the performance of these depots is far from satisfactory.

1. Ibid.

2. The Estimates Committee of Parliament in its 17th report presented to the Lok Sabha on 27th April, 1972 recommended the establishment of a centralised agency for making arrangement of raw material for small scale sector. It has also stressed the need of establishing coordination among the ministries concerned and the raw material allocation agencies.

From the above it may be pointed out that small scale units are not supplied raw materials and imported components satisfactorily. The problem of raw material in this sector of economy arose due to augmented government allocation system. Allocations to small scale units are generally lower in relation to total production capacity than allocations to large scale units. As a result of this, small scale units are forced to buy most of their raw materials in the local black market. In such cases, they are in a competitive disadvantaged position. At the same time, whatever quota is allotted to small units, its despatches are uncertain and erratic. For balanced growth of small scale units it is required that there should be a rational distribution of raw materials between large and small units. The criteria of allocation of raw materials should be need based and not on the size of the unit. Due to the shortage of the raw materials many small scale units are forced to under utilise their capacity and many others are forced to close their production. To avoid such a state of affairs a more pragmatic approach should be applied to solve the problem.

Since material is a basic factor in every manufacturing process, the continued and economical supply of raw material is of paramount importance. To encourage entrepreneurs to get a reasonable return for their efforts

and preservance, every effort should be made to provide them necessary assistance in procuring materials. In U.P., most of the small scale units are engineering and processing. As such, they cannot produce raw materials themselves. Therefore, it becomes the first and foremost duty of the Government and other related agencies to arrange for the continued supply of raw materials at reasonable price to the small scale sector. In this regard, the role of the U.P. small Industries Corporation is important. Since its establishment in 1958, the Corporation through its depots, situated at Kanpur, Meerut, Varanasi, Agra, Bareilly, Gorakhpur, Naini- (Allahabad) and Ghaziabad distributes the raw material to small units registered with the Directorate of Industries. Apart from ferrous and some non-ferrous materials, the Corporation also procures Sulphur, Sodium Nitrate, Titanium Dioxide, Mercury, Arsenic, Ivory, Alabastro Stone, Mutton Tallow, Coconut oil etc. Recently the corporation has been appointed as agent for distribution of Rosin and Turpentine to units of U.P.

To liberalise the import policy of raw materials, new scheme of indenting Iron and Steel has been introduced by the Govt. of India. Under this scheme, the industrialists can place their indents to producers together with 10 per cent advance but most of the small industrial units find it

difficult to plea their case at each stage and they also find themselves unable to make arrangements for required finances. Taking these problems into account, the U.P. Small Industries Corporation has undertaken the responsibility to book indents on behalf of the small entrepreneurs. An entrepreneur is required to pay a nominal earnest money of 2 per cent of the value of indented material. The material is supplied to the parties on pro-rata basis based on actual receipt of material in the depots. The achievements of the Corporation in this regard are shown in the following table no. 1.

TABLE NO. 1

Raw Material supplied by the U.P. Small Industries Corporation, Kanpur

Particulars	1968-69	1969-70	1970-71	1971-72
1. Value of raw material supplied (Rs. lakh)	158.22	326.33	456.26	788.02
% of value of raw material supplied (Based on 1968-69)	100	206.25	288.37	498.05
% Increase	00	106.25	188.37	398.05
2. Total turnover	168.51	343.05	495.86	901.78
% of turnover (1968-69 as base)	100	203.51	294.26	535.15
% Increase	00	103.57	194.26	435.15
3. Total tonnage supplied	7043	16194	23122	NA
% of tonnage (1968-69 as base)	100	239.06	329.23	NA
% Increase	00	159.06	229.23	NA

SOURCE: The Indian Express May 4, 1972, and the figures for total tonnage supplied are taken from the Economic Times, April 11, 1972.

The table no. 1 indicates that the Corporation supplied materials to small units through its depots to the extent of Rs. 158.22 lakh (about 7,023 tons) during 1968-69. During 1969-70 the value of raw material increased by 106.25 per cent (total tonnage of 16194). The total tonnage of raw material increased by 159.06 per cent during the same year. During 1970-71 both value of raw material and tonnage increased considerably, the Corporation supplied raw material of the value of Rs. 456.26 lakh (about 23,122 tonnes) which is 188.37 per cent more than 1968-69's supplies. During 1971-72 Corporation's activities increased to nearly five times in this regard and during the same year it distributed raw materials worth Rs. 788.02 lakh which is 398.05 per cent more than the value of 1968-69.

Although, the corporation is working efficiently in the matters of raw material distribution but the number of depots which is at present eight is too less to meet the requirements of 32,326 units working in a State like U.P. There should be more depots in main industrial towns. When region of each depot will be reduced it would serve well the requirements of raw materials of these units. This would, no doubt, increase the overhead charges but they will increase the profitability of small units. Government may enhance its subsidies on this account. The efficiency of each depot can, thus, be increased and raw material will be supplied to

small units at the times of need.

Again, the Corporation does not have any raw material depot in the hilly and Bundel Khand regions. In these regions there is already a lack of infrastructure to set up industry and the shortage of raw materials is highly disquietening. Therefore, it is essential for the Corporation to set up some raw materials depots in these industrially backward regions to get success in speedy industrial development.

There are malpractices in the working of these depots. Instances are not lacking where they issue raw materials to bogus units and thus reduce the viability of serious concerns. To remove such a state of affairs, vigilance committees on regional basis should be appointed. The main function of such Committees should be the physical examination about the existence, working and the requirements of the organisations applying for raw materials. For justice in distribution of raw materials cooperative raw material depots should also be set up.

In the case of imported raw materials, small entrepreneurs are required to apply for import licence to the Central Government through State Government. In such a case an application has to move from various government

departments. A small delay in getting the import licence causes considerable loss to these units. Due to non-availability of raw material these units are forced to close down production process or purchase raw material from the black markets. This leads to higher cost of production and reduces their competitive power as compared with larger units. This handicap can be minimised if applications for import licences are processed with in time limit e.g. the applications should be recommended by the Assistant Director at district level with in 15 days' time and there after by the Director of Industries at the state level in not more than fifteen days.

The rational distribution of raw material among small entrepreneurs, though, is a difficult job, yet some positive measures may be adopted to tackle this problem. Among these measures the establishment of raw material depots at regional basis, cooperative raw material stores and liberalisation of import licences are important. A small industrialist should be allowed to make direct contact with the foreign suppliers because intermediaries have proved ineffective and there occurs an unnecessary delay in the delivery. Besides, when the units of the same size are producing same articles, all should get their raw material whether imported or indigenous at the same price and no favouratism should be allowed.

2. LACK OF MODERN AND SOPHISTICATED MACHINERY:

Another serious problem which creates hindrances in the production process of small entrepreneurs is the non-availability of modern and sophisticated machinery and equipment. Small units are facing a crucial shortage of these machines and equipments. If there is to be a reduction in the cost of production which is sine-quo-non of competitive structure of an industry, there is a scope for small industry for rationalisation through modern machines and equipment and technology. In India, although, some positive steps have been taken in this direction but small scale units are still facing an acute shortage of machinery. In supplying right type of machinery at right time the role of the National Small Industries Corporation and the State Small Industries Corporations are creditable.

The uncertainty of securing right type of machinery at the right time has introduced an element of risk in the small scale sector. Due to this problem young and energetic entrepreneurs who wanted to enter in the field had to give up their project on account of long gestation period between the planning of small units and actual production. It is, therefore, necessary for the steady growth of this sector to provide necessary machinery and equipment at proper time on easier terms.

In making available the machinery to small entrepreneurs the State Small Industries Corporations are sharing the burden of National Small Industries Corporation. They have shown a remarkable success. The U.P. Small Industries Corporation supplies machinery to small industrialists on hire purchase basis on condition that the applicant renders a guarantee bond. He is required to deposit in advance 10 per cent of the value of machines (only 5 per cent is required from technical entrepreneurs) as earnest money. In addition to earnest money, 2 per cent of the value of machines will be deposited as service charge. In case of technical entrepreneurs service charge is not required. They are required 2 per cent in advance and balance of 3 per cent in instalments. For supplying machines on hire purchase, the corporation charges 9.50 per cent as interest and a rebate is also allowed at 2 per cent in case of payment of dues. The repayment of the value of machine starts after one year and the whole amount is repayable within five to seven years. The maximum limit to which an entrepreneur can acquire machines from the corporation is Rs. 5,50,000.^I The following table shows the details of the Machines supplied by the Corporation.

- I. Jain, Shikar Chand and others - Small Scale Industry (A guide and reference hand book), Nabhi Publications 1971, P. 138.

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TABLE NO. II

Machines supplied by the U.P.S.S.I.C. during 1966-67

to
1971 - 72

Year	No. of units to whom machines supplied	Value of machinery supplied Rs.	Percentage based on value of 1966-67 as 100	% Increase or Decrease
1966-67	58	12,83,035	100.00	00
1967-68	55	14,53,041	113.30	+ 13.3
1968-69	23	2,70,000	21.00	- 79.00
1969-70	39	10,36,000	80.80	- 19.20
1970-71	81	21,92,000	170.90	+ 70.90
1971-72	225	85,00,000	662.50	+ 562.50

SOURCE: Compiled from The Economic Times, Bombay, April 11, 1972. Mahajan, Ashok, P.R.O., U.P.S.S.I.C. Figure for 1971-72 are taken from the Indian Express May 4, 1972.

The above table indicates that during 1966-67 the Corporation supplied machinery worth Rs. 12,83,035.00 to 58 parties. In 1967-68 the number of parties to whom machinery was supplied reduced but the value of machinery increased by about Rs. 17,000 which represented 13.3 per cent increase in relation to 1966-67. The number of parties as well as the value of machines declined continuously from

1966-67 to 1969-70. The reason of such fall was the paucity of funds with the corporation. The Corporation, consequently, paid much importance to the development of these units and, therefore, the number of units to whom the machinery was supplied increased in 1970-71. Moreover, in the Fourth Plan it is stressed to develop such units. During 1970-71 the number of such units reached to 81 and the cost of machines to Rs. 21,92,000. During 1971-72 machines worth Rs. 85 lakhs were supplied to 225 parties. It is nearly six times of the value of machines supplied during 1966-67. It is expected that more and more units will avail this facility for further development. Although, the activities of the Corporation are expanding rapidly but the number of small units getting machinery from the corporation is much less than the number of small units in the state. The total number of small scale units functioning in the state were 32326 at the end of 1971-72 while number of units which obtained machinery from the corporation stood at 225 only.

3. PAUCITY OF FUNDS:

One of the important problems of small industrialist is his inadequate financial resources. The development plans of small units are hampered due to non-availability of funds. It is evident from the above

table no. II also that the position of supply of machines has improved to some extent after the nationalisation of major fourteen commercial banks. These banks have been directed to have liberal, generous and forward looking attitude in financing small units. Under the liberal policies of the nationalised banks even a new and young industrialist starting a small venture can avail the financial accommodation without offering any security provided there is credit worthiness of the project.

In a country like India where there is a general paucity of investible funds. Both large scale and small scale sectors suffer from this problem. This affects more to the small sized units. They do not have free entry to the capital market. Therefore, they remain in dearth of capital. They depend, for finances, upon the owners' savings and the savings of friends and relatives. While examining the causes of paucity of funds in the small scale sector the International Planning Team of Ford Foundation pointed out, "The low productivity and over population in many branches. The methods being primitive, it is easy for a worker to start a new business of his own. He does not need many tools and much equipment as his competitors themselves do not have such advantages. They are all

bound in the same depressed conditions and seem unable themselves to find a way to a better standard in spite of their indisputable skill as workman."¹

For removing the paucity of funds of small scale entrepreneurs, Government policy is liberal. Every year and in every plan increasing allocations have been made for the success of the programme of the development of small sector. Under this head Government expenditure has increased to Rs. 68.9 crores under the third Plan from a relatively small amount of Rs. 5.2 crores during the first plan. A much higher allocation of Rs. 123.3 crores has been made in the fourth Plan.² The main aim of the Government programme is to provide necessary infrastructure to this neglected sector of the economy and remove such serious handicaps such as shortage of finance, non-availability of suitable working accommodation, inadequacy of facilities for tooling, repair and maintenance, and training and lack of techno-managerial advice to improve productive efficiency and reduce cost of production. Therefore, the financial needs of small entrepreneurs should be met properly if balanced development is needed.

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1. The International Planning Team. The Ford Foundation Report on Small Industries in India, Govt. of India, Ministry of Commerce and Industry, 1955 P. 39.
 2. Five Year Plans - Third and fourth Five Year Plans. Govt. of India, 1962-67, and 1969-74.

Under the directives of the Government to nationalised banks for financing small scale and neglected sectors, Small scale sector is benefitted to some extent. A large part of the loans provided by nationalised banks is used in discounting the bills of supplies made to large organisations.¹ As the payments from the large industries are delayed for indefinite periods, the borrowings of the small units from banks have increased. Considerably, there has been heavy burden of payment by way of interest and other bank charges. In some cases the delays in getting payments from larger industries create the problems of survival for some of the ancillary units. In fact, it is required that large units should pursue a sympathetic policy to pay their bills as early as possible and should help in solving the financial problems of small scale units.

Nationalised banks should follow more liberal policies in advancing short and medium term loans. Nationalised and other Scheduled commercial banks, though, have liberalised their policies yet they are very much security minded. An entrepreneur without a substantial security finds it difficult to get credit from these banks.

1. Reserve Bank of India Bulletin, Dec. 1971.

Banks should change their attitude. A general overdraft facility from 20 per cent to 25 per cent of the capacity should be provided so that these entrepreneurs can face an unexpected situation like recession. A long delay in scrutinising the applications should be avoided. An enthusiastic entrepreneur should be welcomed for undertaking a new venture. For the proper solution of the problem a close link with the banks and the small industries associations should be maintained and frequent dialogue among them is very essential. At present, there is no such relationship with the banks and small industrialists. The voices of small industrialists should be heard and respected by financial institutions. A small industrialist may be a small man, but he is generally hard working with enthusiasm. Therefore, new policies should be formulated to encourage young engineers and other educated people to start small industries and motivate existing industrialists to expand their venture so that more employment opportunities can be generated. Various financial institutions and their role have been discussed in the fourth chapter in some detail.

4. LACK OF SKILLED WORKERS:

There is also a shortage of skilled workers in the small scale sector. Although labour is in abundance in India, but it does not fulfil the needs of industries. On account of unskilled workers small scale industrialists find it difficult to produce quality goods at cheaper rates. Since workers are inefficient, they incur more wastage of raw material, wear and tear of machinery, and consumption of more time. All these factors inflate the cost of production which in turn are responsible for heavy losses and check the growth of this sector.

For solving this problem it is required that these units themselves should take positive steps. At the time of accepting a worker for a specific job they should judge his ability. So far as possible, they should provide proper training facilities to their workers. But when an industry is expanding fast it may be necessary for government to make special arrangement to train the workers to meet the requirements of industry. When the training programmes are undertaken by the Government it should estimate the probable number of workers required by all industries.

It should not arrange the training programmes only on the assumptions that whatever number of workers is trained will be absorbed. If it is followed, will create a problem of unemployment of educated and trained personnel which is happening in India now a days.

It is not necessary that training and education of workers will directly benefit small sector. Some times it happens that small firms find it difficult to accept trained workers due to meagre financial resources, for, the workers expect higher wages than the small firms are prepared to pay. For training the workers in India, various prototype production and training centres have been set up with the assistance of the U.S.A., West Germany and Japan.¹ These centres are providing training in various fields such as handling modern machines, tools and workshop methods. In U.P. and some other states, training programme is undertaken under industrial estates programme. In big industrial estates a shed is reserved for training and research which provide necessary training to workers of adjoining areas in their spare time.

1. India 1969 (A Govt. of India Publication).

5. POOR MANAGEMENT:

Another problem of small industrialists is the poor management. In this sector there are entrepreneurs who lack the knowledge of the essential elements of management. It is found that there are businesses which do not maintain accounts and their owners do not know exactly whether they are running in losses or making profits. About financial management they are quite ignorant.

In the matters of marketing the product they are dependent either on large business houses to whom they supply goods or on general market and in both cases they suffer due to lack of knowledge of marketing techniques. On account of faulty management the products of small sector do not have standardised quality. The quality of their products vary widely. Due to variation in quality, small scale units face a problem of rejection. It is due to the standard quality of the product rate than any other excuse.

The small scale industry has a dual role. Its position should be improved by injecting trained and competent persons who have sound knowledge of production, finance, marketing techniques etc. For improving the

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managerial side of small scale sector, the Development Commissioner Small Scale Industries Organisation is imparting management and technical training. At present, there are three types of courses viz (1) management appreciation courses (2) specialised courses in selected subjects and (3) ad-hoc courses in specific subjects.¹ The training in these courses is conducted by the regular staff of the industrial management and training sections of Small Industries Extension Training Institute. A technical consultancy cell was organised at Kanpur in 1970 under U.P. S.S.I.C. limited. This cell is unique of its kind in U.P. which assists the prospective entrepreneurs in the field of electronics, electrical, mechanical and metallurgical engineering etc. This service incorporates financial management assistance, licencing management assistance, licencing and liason work. Some projects have also been prepared for the benefit of small industrial units and enthusiastic entrepreneurs.

6. MARKETING AND EXPORT PROBLEMS:

Small scale units are also facing the problem of marketing their products. Among other things, export manufactured articles deserve special attention. The main

1. Jain, Shikarchand and Others, Small Scale Industry, 1971 P. 76-77.

task should not be merely to increase the production but to decrease cost per unit. For achieving this objective, it becomes essential for small industrialists to take full advantages of programmes of the National and the Local Productivity Councils. Since its establishment, the National Productivity Council has organised various programmes. Recently, it has created a special cell to look after the productivity problems of small scale units. It is an urgent need that small industrialists should join local productivity council in large number and get their programmes small industry oriented. The export promotion drive is interlinked with the concept of productivity and quality. On the international market front, countries like Japan, the U.K., and the U.S.A. have distinction of their product because of quality. Quality, cost and price are three conditional factors which have special significance in the export market.^I In some cases where the demand is specialised or where the labour element in the cost of production of exportable items is high, small sector has a better scope. The small scale industries are required to have a vigilant eye on the improvement of quality if they want to capture export market. In this regard strict government quality control is needed.

I. Development Commissioner, Small Scale Industries in India, Govt. of India 1968 P. 120-21.

Buyer can be attracted if quality and price of goods are reasonable. It is an accepted fact that consumer is the king of all products. He is said to be the determinant of what goods and services ought to be produced. The consumer's choice depends upon his income. It is income factor which determines the amount and kind of want satisfying goods and services which the consumers buy. Since the times immemorial India, as a trader country, has been trying to industrialise herself to keep pace with the world and her customers. With growing technology and industrial complex the country is exporting a variety of traditional and non-traditional goods to overseas markets. In the exports field small sector has not been remained active due to meagre financial resources and inadequate export informations.

In exporting their products, small scale industrialists face many obstacles like market informations, export entitlement licences, shipment, paucity of needed raw material of right type at right time, price difference in drawback,^I and the refund of drawback, and cash subsidy. In the case of import replenishment, it should be considered how small manufacturers can be benefitted in the form of more liberal transfer of import licences. Determining of

I. Drawback - when the goods on which the import duty has already been paid at the time of import. The custom authorities refund it. This refund or allowance is called drawback.

the cash subsidy through the selection of few items has affected the meagre financial resources of small exporters. They should be given more cash subsidies by authorising regional authorities to follow liberal policies in this regard. The rules for determining the drawback are so complicated that a small manufacturer cannot easily comprehend and comply with. Moreover, the benefit is not allowed in case where the manufacturers have not directly imported the raw material and paid the duties. Thus, on account of this limitation many small manufacturers cannot take the advantages of the scheme as they usually buy their raw material in the open market. The criteria of this scheme should be on the basis of imported raw material irrespective of the source of purchase.

The position of export from small sector can be made better if small entrepreneurs are given additional facilities. The future programme for the better utilisation of export potential of small scale units should be necessarily aimed at making export business a profitable and easy proposition. For this purpose, intensive and integrated assistance is to be provided for achieving maximum production efficiency, removing the hurdles, and for active marketing of their product in the international markets. With this, the small scale

sector will emerge as a dominant factor in building our foreign trade. Once this potential sector is properly organised and pressed into action for entering into export trade, it will open a new chapter in gaining export trade.

In the home market too, small units face many difficulties. They face competition with large scale firms. On account of shortage of funds, these units are unable to use wide media of publicity. The product mostly remains unknown to consumers.

In making the product familiar the National Small Scale Industries Corporation is playing an active role. It has set up whole-sale depots at various centres and organises many sales imporia. Besides the National Small Industries Corporation, State Small Industries Corporations are also paying attention in this direction. It is worthwhile to suggest here that state purchase should be made effective by avoiding delays in payments. Some times, it is found that small entrepreneurs have to wait for months for the payment of supplies to Government departments. In the case of items on which small units have speciality or they have established themselves as sole supplier to Government, orders should be placed with small units

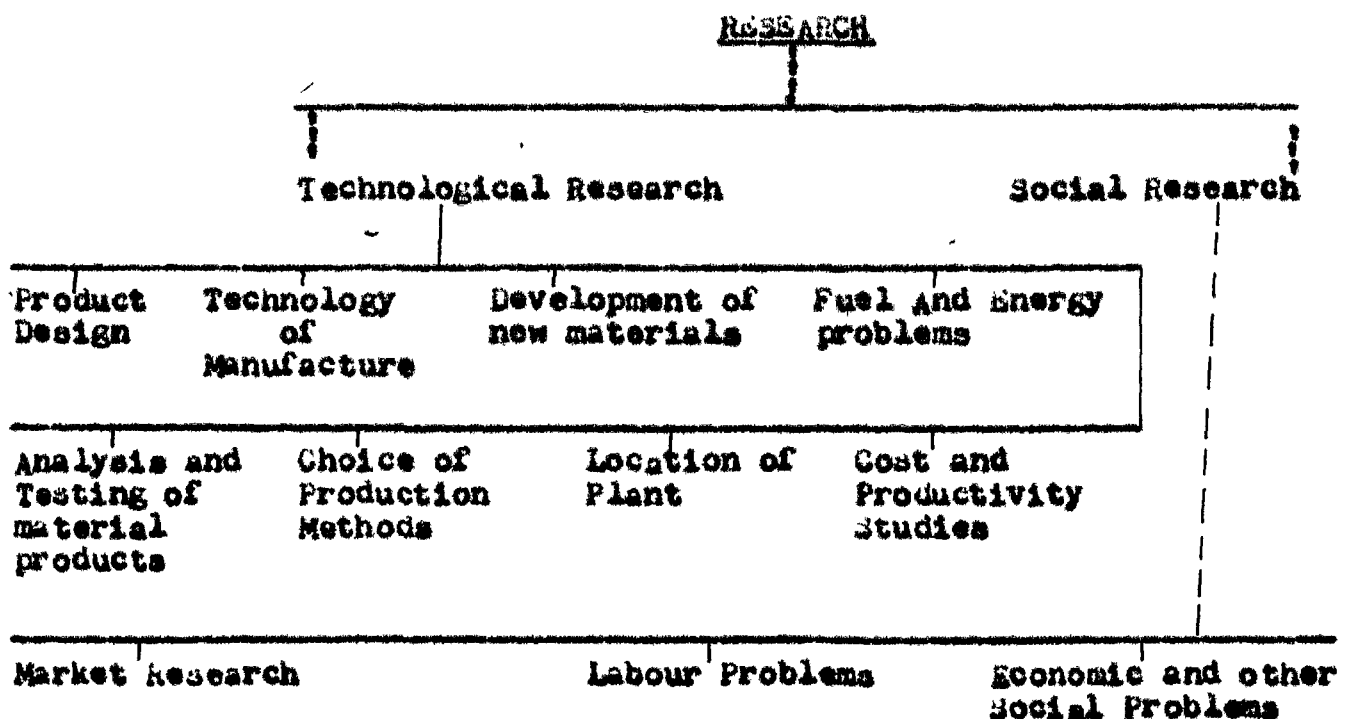
to the fullest extent. With regard to other items, orders should be placed according to quality and price of the goods.

With a view to encourage the participation in the Store Purchase Programme of the State Government, the U.P. Small Industries Corporation is playing an important role. It has formulated a scheme for enlistment of small scale units. Small units who have investment below Rs. 2 lakh may get themselves registered with the Corporation. Under this scheme no tender fees is required in the government purchase. The tender information is sent to the parties free of cost, issued by the Director of Industries and D.G.S. & D (Director General of Supplies and Disposals). Registered units are given price preference at 15 per cent. Units are exempted from depositing the security. The number of units who got registration under this scheme was 101 in 1968-69 which reached to 1938 in 1969-70 in U.P.

7. PROBLEM OF RESEARCH:

The problem of research and development is not of lesser importance for small units. Besides capital, labour and raw materials, research has its own role in the production. Modern production requires newer techniques and methods to produce and sale the

goods. Therefore, to make the production effective, research is necessary in the field of production process, raw material, and marketing etc. Market research is equally important in the case of small industries because their articles are tailored to suit individual or group tastes, habits and uses.¹ Therefore, the market researcher must study the consumers' habits which effect the sales of cottage and small industries products.² The following chart clearly indicates various fields of Research.



SOURCE: Compiled from I.L.O. Geneva, Services For Small Scale Industry Studies and Reports, New Series No. 61, 1961, P. 95-114.

1. Farooque, Q.H. - Small Scale and Cottage Industries as a Means of Providing Better Opportunities for Labour in India, M.U. Publications 1957-58 P. 18.
2. Ibid.

Among other fields of research analysis and testing of raw materials, and finished goods, and market research are of considerable importance. The need for research arises, for it helps in utilising idle resources. In the absence of research entrepreneurs face various problems of development. These handicaps can be removed if researches are made properly. Industries will promote growth according to the extent to which they allow for specialisation and according to the freedom they permit. For seeking out and seizing out economic opportunities, the activities of State and Institutions should aim at associating efforts with reward.¹ The prospects of small scale and Cottage Industries depend upon the improvement of techniques and the extent to which the State and Institutions will accommodate themselves to protect incentives and encourage trade.

In the country, various research and development programmes are conducted. At the State level, the Directors of Industries assist small entrepreneurs in marketing their products and acquiring raw materials. They make small entrepreneurs quality conscious by introducing schemes for standardisation, quality marking and testing. These schemes are applicable on voluntary basis and their membership is limited to those units who voluntarily

1. I.L.O. Geneva Services for Small Scale Industry, 1961
P. 105.

agree to abide the specifications and standardisation laid by the Directors of Industries. The U.P. State Director of Industries has introduced a scheme for the prevention of the infringement of trade marks and sales of superior goods. These State Directors of Industries also help small entrepreneurs in marketing research, and raw material research. They also participate in exhibitions organised at district, State, and all India levels to publicise the products of small scale unit with a view to promote their sales. To handle problem of research, programmes on collective basis should be chalked out because small entrepreneurs individually can not afford their expenses.

Likewise, there are many other problems too which create hind-rances in the way of development of small scale sector. These problems are inefficient working of various government departments, delay in payment of government purchases, over-burden of taxes, less security and increasing lawlessness. At the first place the working of government departments is so defective which does not leave sufficient time with small scale entrepreneurs to think about the development of their products. Apart from the normal work that production in the unit involves, a small scale manufacturer

has to comply with a number of instructions from municipal, State and Central Government departments. This involves the industrialists in frustration. Consequently, the production is affected. There is a large number of Industrial Inspectors who frequently visit the industries and check their working. I feel it is an additional factor which affects the cost of the commodity and naturally increases the price of the products. Some times small units cannot compete with the same goods produced in large sector. It would be proper for the Government to reduce the number of inspectors and other additional staff so that working of units may be improved.

Instructions should be given to concerned authorities to be liberal in renewing the licences. Small scale units are the victims of taxation policy. They are required to pay various taxes.¹ The present system of paying tax and other government dues into the local treasury of the State Bank of India or the Reserve Bank of India which conduct cash business on behalf of government is cumbersome and has been a cause of annoyance to tax payers. Some times it creates difficulties to the

1. Such as Sales Tax, Excise Duty, House Tax, Municipal Tax, Factory Tax, Water Tax etc. etc.

payer in reconciling the actual amount paid into the treasury and the amount as recorded in the departmental books. Taking into account, these practical difficulties in the present system of collection and refund of taxes, it would be proper to see whether cash counters could be operated in Income-Tax Department and individual ledger accounts. could be maintained for each assessee at least in big cities. And as far as possible, collection of various other taxes and duties should be made simple so that it may not create any difficulty to tax-payers.

Another serious problem is of security and safety of business. An industrialist always remains doubtful about the security of his business. This problem has led to capital flight from one State to another State. In this connection reference may be made of the West Bengal where the Naxalite movement compelled industrialists to set up their industries in the neighbouring States like Orissa, Bihar and U.P.

There are other problems of special nature prevailing in Industrial Estates as theft and pilferage from units often take place and stores for purchase of stolen articles are springing up around the Estates.

The administrative system of the country is such that culprits go free. For the better solution of this problem, it would be better to declare all industrial estates as protected areas. It would also be better for the government to come forward and take corrective measures to reduce lawlessness and provide subsidies to small manufacturers.

Although small scale sector suffers badly from the above mentioned problems, yet it has started playing a considerably important role to make the Indian economy as an stronger economy. Its role in total production, providing employment, export, and raising the standard of living of people is increasing. Its actual role in different spheres is dealt with in the following pages.

ROLE IN PRODUCTION:

In the country the estimated production of small sector during the period 1961-63 witnessed a rise of about 31 per cent. It increased from Rs. 12,798 million in 1961 to Rs. 16,812 million in 1963.¹ It was Rs. 36,700 million in 1969-70 as compared to 33,000 million in the corresponding year 1968-69. This indicates that small scale units registered under the Factories Act were responsible for nearly 39.6 per cent of total factory employment and 26.6 per cent of the total gross production of all units.²

1. Development Commissioner S.S.I.Op.Cit., p. 7.

2. The Times of India, April 2, 1971.

In U.P. the production in the small scale sector under Commercial schemes is also increasing. The performance of this sector during the preceding four years is given below:-

TABLE NO. III

Production of small units of the U.p. under Commercial schemes from 1968-69 to 1971-72.

Year	Production (Rs. lakh)	% based on on 1968-69	% Increase
1968-69	7.59	100.0	-
1969-70	6.36	83.8	- 16.2
1970-71	14.80	195.0	+ 95.0
1971-72	26.99	355.6	+255.6

SOURCE: The Indian Express, May 4, 1972, p. 7.

The above table No. III indicates that production in Commercial schemes of small units remained increasing but during 1969-70 it decreased by 16.2%. After 1969-70, the figure increased by Rs. 6.49 lakh and Rs. 19.41 lakh in 1970-71 and 1971-72 respectively which accounted an increase of 95.0 per cent and 225.6 per cent during 1970-71 and 1971-72 respectively.

EXPORT PERFORMANCE

The export performance of small scale industries is another measurement of the important role played by this sector in the economy. During the year 1970-71 (till November 1970) 1,224 manufacturing units (of these about 750 were small units) had applied for priority treatment for import licences on the basis of their export performance. 615 out of these units exported more than 10 per cent of their production in 1969. 413 of these 615 were in the small scale sector alone.¹ The appendix I shows that these 413 units produced goods worth about Rs. 62.1 crores in 1969 and exported product to the extent of Rs. 19.67 crores during the same year. On an average, the small scale units exported nearly 30 per cent of their output. The appendix No. I gives an idea of the production and export performance of these small scale units on an industry wise basis.

The appendix I also indicates that in terms of value of production, leather industry (vegetable, chrome and finished goods) stands first of the total small scale sector's production of Rs. 62.1 crores in 1969, Rs. 11.6 crores was from this sector. Second industry is woollen hosiery

1. The Economic Times, Sunday, Nov. 7, 1971 P. 6.

which accounted for Rs. 4.8 crores. Ready-made garments units and plastic product bangles, imitation jewelery, F.V.C. leather cloths and bicycle and cycle parts manufacturing units stood third, fourth, and fifth respectively in order of their share in the total production. They accounted for Rs. 4.1 crores ready-made garments, Rs. 3.0 crores plastic product bangles and Rs. 2.4 crores bicycles and cycles parts.

In terms of export performance, agricultural implement units topped the list. They exported entire production. Their exports stood at Rs. 0.8 lakh. Next are ready made garment units. Out of Rs. 4.13 crores of ready-made garments produced by 7 units, Rs. 3.9 crores worth of goods were exported. Industries which exported more than 60 per cent of their production were curry-powder and pickles, handloom, pure silk, woollen fabrics, woollen hosiery, oil mill machinery, agricultural machinery, plastic buttons and novelties.

In terms of number of exporting units, 89 exported over 40 per cent of their production during 1969. About 160 units between 30-40 per cent, another 164 units between 10 and 30 per cent.

Thus, from the appendix No. I it is clear that on the whole the performance of the small scale sector in the industrial development has been impressive. In the home market specially in government's stores purchase programme the small scale sector is playing a pivotal role. The performance of the small scale sector in the stores purchase programme of State government may be judged with reference to U.P. which is clear from the following table.

TABLE NO. IV

Supplies made by small industrial units under the U.P.
Small Scale Industries Corporations Store Purchase
Programme

Year	Value of supplies (Rs. lakhs)	% based on 1968-69	% Increase
1968-69	25	100.00	00
1969-70	30	120.00	+ 20.0
1970-71	52	208.00	+108.00
1971-72	56.76	227.04	+127.04

SOURCE:- Compiled from The Indian Express, May 4, 1972, p. 7.

It is evident from the table No. IV that the position of supplies to stores purchase programme remained increasing during 1968-69 and 1971-72. In 1969-70 the total value of goods supplied increased by Rs. 5 lakh which represented about 20 per cent increase against 1968-69. In 1970-71 the annual supplies increased to about double which was 208 per cent and in 1971-72 the percentage of value of supplies was 227 per cent with an increase of 108 per cent and 127 per cent during 1970-71 and 1971-72 respectively. In fact, the trend of supplies made by small units remained on the increase. It is expected that these units can play still an increasing role if their financial needs are met properly through the institutional sources.

ROLE IN EMPLOYMENT:

Another field in which small scale units have their significant role is their employment potentiality. Therefore, in the country, government and the people are paying greater attention and, consequently, there has been a phenomenal growth of these units. In the field of employment handloom industry stands first. Another employment oriented industry after handloom is khadi and village industry. These industries are traditional and employ labour intensive techniques and make good use of local resources and satisfy local markets.

However, the small scale industries of mechanised type which normally use electric power, produce a large variety of non-traditional articles and engineering goods, and in many cases their production is linked up with that of large scale units.

From the data available, it is clear that in India, there has been a steady improvement in the employment potentiality of this sector since 1960-61. It has been remarkable after 1965. During 1965-66 they provided employment to about 58 lakh people. From 1966 to 1970 this figure reached to about 65 lakh.¹ In 1960 there were 1,845 registered small scale factories employing 40,798 workers in U.P.² The largest group among these industries was of engineering with a total number of 563 units employing nearly 13,120 workers.

The next was of the agro-based industries with 551 units employing 12,073 workers.³ Both these groups accounted for nearly 60 per cent of the total employment in the small scale industries. A large number of industrial units which have their significant role for the urban population are printing presses, ice factories and power houses. These industries provided employment to about

1. Yojana Annual Number 1972 P. 37.

2. Techno-economic Survey of Uttar Pradesh, National Council of Applied Economic Research, New Delhi, April, 1965 P.132

3. Ibid.

7,523 workers. The remaining groups were not of much importance.

GROWTH OF SMALL UNITS:

The number of small units registered with the Directors of Industries was about 1,46,000 at the end of December, 1969. The number of small firms further went up to 3,20,000 at the end of March 1973 which registered an annual increase of about 18,600 units during the period of 1966 to 1973.¹ Apart from this there are nearly 3,20,000 small units outside the household sector which are not registered with the Directors of Industries although they are under the potential coverage of small industry programmes. It is estimated that during the Fifth Plan period about 2,00,000² new small units will be set up which will bring the total number of small units to about 5,00,000 in the country. The actual growth of small units during the last decade is shown in table no. V.

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1. Figures of number of small units are taken from the Socialist India, a weekly of the Indian National Congress, New Delhi, Sept. 1971. Rest figures are taken from The Times of India, April 2, 1971.
 2. The Economic Times, Aug. 7, 1973.

TABLE NO. V

Growth of registered small scale units with
Directorates of Industries from 1961 to 1973

Year	No. of units registered	% based on 1961	% increase
1961	36,109	100	00
1962	52,241	144	44
1963	74,857	208	108
1964	92,583	258	158
1965	1,06,883	297	197
1966	1,21,619	339	239
1967	1,36,273	378	278
1968	1,61,865	450	350
1969	1,78,320	494	394
1970	1,93,131	536	436
1971	2,14,004	594	494
1972	2,82,000	781	681
1973	3,20,000	889	789

Source: 1. The Economic Times, Sunday Nov. 7, 1971.

2. Sunday Express, October 15, 1972.

3. The Economic Times, Aug. 7, 1973.

Table No. V indicates the phenomenal growth of small scale units since 1961. At the end of 1961 there were only 36,109 small units registered with the directorates of industries. In the year 1972 the number reached to 2,82,000 which shows an increase of about 681 per cent over 1961.

The number again went up to 3,20,000 at the end of March 1973. The table shows an upward trend and it may be concluded that the people have now begun to give importance to small scale industries. There is shift of population from agriculture to small scale industries. From 1969, U.P. has got third place after Punjab and Maharashtra in the number of small units. The State-wise distribution of small scale units during 1969 is given in the following table no. VI.

TABLE NO. VI
State-wise distribution of small scale units.

<u>State</u>	<u>No. of Units</u>	<u>Percentage to total</u>
1. Punjab	24,094	16.4
2. Maharashtra	21,155	14.5
3. Uttar Pradesh	18,868	12.9
4. West Bengal	14,022	9.6
5. Tamil Nadu	13,000	8.9
6. Gujarat	7,956	5.4
7. Mysore	7,849	5.3
8. Rajasthan	6,683	4.5
9. Madhya Pradesh	6,271	4.3
10. Andhra Pradesh	6,208	4.3
11. Kerala	6,140	4.3
12. Delhi	6,069	4.2
13. Orissa	2,820	1.9
14. Bihar	1,884	1.3
15. Jammu and Kashmir	863	0.6
16. Assam	804	0.6
17. Haryana	740	0.5
18. Goa	322)	
19. Pondicherry	250)	
20. Himachal Pradesh	93)	0.5
21. Tripura	87)	
22. Manipur	8)	
	<u>1,46,276</u>	<u>100.0</u>

SOURCE:- Nanjappa K.L. Small Units Grow into major Sector,
The Times of India, April 2, 1971.

Table No. VI indicates that there are major disparities in the number of small units in different States. In 1969 the largest number of small units was in Punjab representing 16.4 per cent of the total. Maharashtra and Uttar Pradesh stood second and third accounting 14.5 per cent and 12.9 per cent respectively. Lowest number of small units was in Manipur with only 8 units. Jammu and Kashmir, Assam, Haryana, Goa, Pondichery, Himachal Pradesh, Tripura and Manipur if taken together represented only 2.2 per cent of all small units in the country in 1969. Inter-state disparities can be reduced if the industrial development takes place evenly in all the States.¹

In U.P., the small scale units are concentrated in few districts only. Among these districts Kanpur has got first place. Second and third districts are Agra and Meerut. The other districts in order of the number of small units are Lucknow, Aligarh, Allahabad, Varanasi, Muzaffar Nagar, and Moradabad. On the other hand there are 36 backward districts of the State which have only few units.²

Table No. VII analyses the growth of small scale units in the state.

1. Yojana Annual Number New Delhi Jan. 26, 1972 Vol. XVI, p.16

2. Backward districts.

1. Almora 2. Azamgarh 3. Bahraich 4. Banda 5. Ballia 6. Badaun
7. Barabanki 8. Basti 9. Bulandshahr 10. Basti 11. Chamoli
12. Deoria 13. Etah 14. Etawah 15. Faizabad 16. Fatehpur
17. Furrukhabad 18. Gonda 19. Ghazipur 20. Hamirpur 21. Hardoi
22. Jaunpur 23. Jhansi 24. Jalaun 25. Mainpuri 26. Mathura
27. Moradabad 28. Pauri Garhwal 29. Pratapgarh 30. Pithorgarh
31. Pilibhit 32. Rae-Bareilly 33. Shahjahanpur 34. Tehri Garhwal
35. Unnao 36. Uttar Kashi.

TABLE NO. VII

Increase of Number of Small Units Registered in U.P. with
the Directors of Industries

Period	No. of New Units Registered.	Successive Total
1. Second Plan 1956-61	3,107	3,107
2. Third Plan 1961-66	8,625	11,732
3. Ad-hoc Annual Plans 1966-69	7,965	19,697
4. Fourth Plan		
(a) 1969-70	3,361	23,058
(b) 1970-71	5,325	28,383
(c) 1971-72 (upto 31-12-1971)	3,943	32,326

SOURCE: The Economic Times, April 11, 1972.

It is evident from the table no. VII that the number of units is increasing from period to period. At the end of Second Five Year Plan 3,107 total units were registered where as during the Third Plan 8,625 new units were registered and the total reached to 11,732 which is shown in the third column. The percentage is very high during this period i.e. 277.6 per cent. During the ad-hoc annual plan (1966-69) 7,965 new units were registered. During the fourth five year plan much emphasis is given to this sector which is clear from the year-wise figures of newly registered units. During the first three years of Fourth Plan (1969-70 to January, 1972) 12,629 new

units sprung up in different parts of the State which is 39 per cent of the total increase from Second Plan (1956-61).

It is expected that by the end of this plan, the number would be much higher than at present. In the State, small scale units are best suited to produce many of the consumption articles. Side by side the development of agriculture is necessitated, for it will create the demand for tools, implements, pumping sets and pipes. With the rural electrification the demand for poles, wires and other electrical goods will increase. Therefore, in the state the development of engineering industry is of paramount importance. It is the only industry which can provide large number of articles needed in agriculture industrial and other sectors.

NEED FOR DEVELOPING SMALL UNITS:-

In a state like U.P. whose economy is both stagnant and backward, small scale sector if developed adequately, can play a vital role in the economic development. Due to low income, people lack in the habit of entrepreneurship. Unlike other states such as Punjab, Gujrat, Maharashtra, Madras etc. where some communities are famous for their enterprising proficiency

in trade and industry. These communities have also migrated to other States for capturing industry and Commerce,¹ U.P. cannot claim for such a class of people. In this regard the development of small industries may be commended on a vast scale as a growth factor in the State to break the vicious circle of inactivity, poverty and stagnation. Even if the step of industrial establishment is taken by outsiders, it should be welcomed.

The whole State with the exception of only few towns in the Central and Western zones is practically devoid of any industrial activity. This deficiency is particularly marked in the eastern U.P., Bundelkhand region and the hilly areas of north.² Agriculture which is the main source of livelihood for the people of eastern districts accounts for over 60 per cent of the subject as compared to 52 per cent in the State as a whole. The per capita income which was Rs. 168 in 1960-61 at 1960-61 prices was much lower than that of the State (Rs. 261) and the country (Rs. 330)³. The density of

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1. Sardars of Punjab. Marwaris of Gujrat, Sharrafs of Maharashtra etc., etc., have migrated to other places to spread over their businesses.
 2. Techno-Economic survey of Uttar Pradesh, The N.C.A.E.R. New Delhi, April, 1965 P. 133.
 3. Maheshwari, K.L. Developing Agro-Industries in Eastern U.P. Agro-Industries in Economy of U.P. edited by Mohain, Mohd, 1970 P. 25.

population of Eastern State is higher than that of Western and Central regions. Nearly 85 per cent of the population depends on agriculture. There is a greater man hour loss in this region because people do not find job after sowing and harvesting. Broadly speaking Eastern Uttar Pradesh excluding Varanasi and Mirzapur remains untouched by the real industrial development. Some of the districts in Eastern U.P. like Sultanpur, Pratapgarh, Ballia etc., do not have any large scale industrial unit.² In these districts every year scarcity conditions are created due to droughts and floods. For the proper development of the State, providing employment opportunities to all sections of society, reducing man hour loss, utilising local resources and above all increasing the living standard of people, development of small scale units is necessitatively important.

PROSPECTS OF SMALL UNITS:

The increasing growth of small scale sector is due to the special attention given to this sector under various policies and programmes undertaken by the Government. Large scale firms are also making efforts to develop this sector by establishing complimentary relationship. With regard to Government agencies the role of the small

Industries Corporations and the State Financial Corporations are important. These organisations have provided various facilities to small units scattered all over the country. The services of the Small Scale Industries Board include free technical assistance, common facility services, training of workers in extension and proto-type centres, establishment of industrial estates, finances on liberal terms, credit guarantee and similar other schemes.¹ The U.P. Small Industries Corporation has launched various new schemes to assist the small industrial units of the State. It has taken up joint sector venture scheme in Eastern region to develop this part of the State. Under the Corporation's new scheme, the sub-contracting exchange is working efficiently. The number of units registered under this scheme reached to 96. A technical consultancy cell is set up in which the number of registered units has touched the figure of 50.²

As it is mentioned earlier that the small entrepreneur is characterised as an owner manager, technician, salesman, liason executive - all roled into one. He serves a dual purposes. One is the creation of additional employment

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1. Background papers and notes on problems of Agro-Industrial development of U.P. April 1969, P. 126.
 2. Personal discussion with the Manager U.P. Small Industries Corporation, Kanpur.

opportunities and fulfilment of ambitions of young and energetic engineers and other entrepreneurs in rural areas. And second is the contribution to the government treasury in the form of taxes - such as income-tax, sales-tax, factory tax, house tax, excise duty etc. Therefore, it becomes important for the government to provide infrastructure to small scale units. The Government should launch the small units welfare schemes when it has surplus revenues. The young engineers and other enterprising graduates should be encouraged and directed to set up small units to create more employment opportunities in stead of searching for employment. The employment potential of small scale units is more than the large scale units. Small scale units can be located in rural areas with small means while large scale units require favourable infrastructure and cannot be located in disadvantaged areas.

In this regard the progress achieved over the last two decades in pursuance of the directives laid down in India's policy for industrial development has been remarkable. The government has recognised the importance of small units in the Industrial Policy Resolution as, 'Cottage and small scale industries have a very important rôle in the national economy offering as they do scope for individual village or cooperative enterprise and means for rehabilitation of

displaced persons. These industries are particularly suited for better utilisation of local resources and for achievement of local self-sufficiency in respect of certain types of essential consumer goods.¹ The resolution further observed, "The healthy expansion of cottage and small scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organised marketing of their products and necessary safeguards against intensive competition of large scale manufacturers, and the education of the workers in the use of available techniques."²

The role of small scale units and their survival chances in India are further guaranteed in second industrial policy resolution. The resolution points out, "The state has been following a policy of supporting Cottage and Village and small scale industries by restricting the volume of production by differential taxation or by direct subsidies. While such measures - - - - - concentrate on measures designed to improve the competitive strength of the small scale producer."³

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1. Industrial Policy resolution April 6, 1948 reproduced in the Second Five Year Plan, Govt. of India, 1956-57.
 2. Ibid.
 3. Industrial Policy Resolution 1956, reproduced by Vepa, Ram, K. Small Industry in the Seventies, Vikas Publications 1971 P. 43.

Obviously, the Industrial Policy Resolution recognised the necessity and importance of the development of small scale sector because this sector offers various services such as creation of employment opportunities, bringing about a more equitable distribution of national income, utilisation of local resources and promotion of many agro-based and cottage industries in rural areas. Thus, small scale units have bright and guaranteed scope in India specially in U.P. because there is a considerable scope of participation in development process through small scale and cottage industries. Due to their significant importance in the economic development of the country, the number of industries reserved had been raised from just 25 to 128 and another 60 have been recommended for reservation.

In conclusion the main findings of this chapter are as follows :-

The main problems of small scale entrepreneurs are lack of adequate supply of raw materials at reasonable price in times of need, meagre financial and credit resources, shortage of modern and sophisticated machinery and equipments, lack of technical know-how, lack of skilled labour, inadequate arrangements of marketing the product,

paucity of research and development facilities, heavy burden of taxation, and harassing practices of local government departments etc. In U.P. some of these problems are met through institutional sources like the State Small Industries Corporation. The Corporation helps small entrepreneurs in procuring imported and indigenous raw material and machinery on easy terms. Training and managerial lacuna are solved through the training programmes undertaken in industrial estates. Marketing and export problems are also dealt to some extent by industrial estates. Although various service facilities are available to small entrepreneurs but considering the vast requirements of this sector there is a need to increase these facilities to a great extent to provide favourable infrastructural facilities to this vital sector. It can safely be remarked that the financial needs of small units should be given due attention because on the availability of finances there lies the solution of other problems also.

In spite of various difficulties, small scale units have started playing a vital role in the economic development of the country from the stand point of creating employment opportunities, contribution to national income, increasing per capita income, utilising local resources and meeting local demand, and checking imports and boosting export etc. etc. These units are responsible for about

40 per cent of total factory employment and 27 per cent of total gross production of all units. Their share in export promotion is about 30 per cent of all industrial products.

For the development of this sector the institutional techniques need further improvement. The Small Industries Board, The National Small Industries Corporation, The State Small Industries Corporations, the State Financial Corporations, Industrial Estates Programme, State Bank and other Commercial banks should be alive to the needs of this sector. They must dovetail financial needs of these industries with the district development plans. These agencies no doubt provide accommodation, finances, raw materials, machinery, marketing assistance and various other common service facilities to small scale units but still they face many problems. In this regard the industrial estates can also play a dominant role in the development of these industries. The subsequent chapter is devoted to examine the role of industrial estates and their impact on the economic development of India with special reference to Aligarh District.

CHAPTER III

ROLE OF INDUSTRIAL ESTATES AND THEIR IMPACT ON THE ECONOMIC DEVELOPMENT OF INDIA WITH SPECIAL REFERENCE TO ALIGARH DISTRICT

The last chapter has examined in detail the various handicaps of small scale industries which inhibit their growth and retard the pace of economic development of the country. It has also been pointed out that many institutional organisations have been established to overcome the difficulties faced by these units but their functioning has left much to be desired. To give added impetus to the development of small scale units the introduction of industrial estates has, on a modest scale, helped their growth on right lines. But these industrial estates are facing a number of problems which need careful attention of the district and state planners. In this regard, the present chapter attempts to analyse the role of industrial estates and their impact on the economic development of the country with special reference to Aligarh district.

Before I proceed to discuss the role of industrial estates it would be proper to state the meaning of industrial estates and their evolution. I now, therefore, turn to define an industrial estate. In general, "An Industrial

estate is carefully selected and developed tract of land on which ready made general purpose factories and certain common facilities and services are provided.¹ Similar is the view point of William Bredo who pointed out, "The industrial estate is a planned approach to the establishment of a viable cluster of industrial enterprises. The tract of land developed for the purpose must provide for the basic elements of the internal physical infrastructure including construction of streets and roads, the installation of water, power and sanitation utilities and the provision of transportation facilities."² These definitions clearly state that an industrial estate is a place where a group of enterprises can avail various common facility services which are impossible for an entrepreneur to get other-wise. These facilities may include provision of ready made factory sheds, fuel and power, water supply, railway sidings, roads and streets, means of transportation and communication, post office and bank facilities, hospital, canteen, club, general shop, marketing and export guidance, and financial assistance, raw materials etc. etc.

1. U.N. - Development decade 1962 p. 56.

2. Bredo, William - The Industrial Estates - Social Technology for Economic Development, U.N. Science, Technology and Development Vol. IV, 1963 P. 86.

Thus, the industrial estate is an organisational set up of a group of factories constructed for the purpose of providing various common facilities with the prime object of assistance and guarantee to a large number of small entrepreneurs. The above mentioned facilities in industrial estates are provided either free or at concessional rates which include only cost of the service.

EVOLUTION OF INDUSTRIAL ESTATES¹

The concept of industrial estates is not new but its adoption as a means of industrialisation in developed as well as developing countries is novel one. Industrial estates have been used with increasing success since Second World War. These estates have even a long history. The first industrial estates was established in U.K. in the year 1896 at Tafford Park,, Manchester with a view to develop industries in depressed areas.¹ In the U.K., this system could get due attention after the great depression of thirties to overcome growing unemployment problem. This device in the United States was introduced three years later. In the year 1899 the Pioneering Industrial District was set up at Chicago.²

1. U.N. Social Problems of Development and Urbanisation Vol. VII, 1963.

2. U.N. Physical Planning of Industrial Estates, 1962, P. 51.

Although industrial estates have been used for a long time but they could become familiar after 1950. Since then a large number of countries have adopted this technique as an effective tool for industrialisation. According to the statistics available 56 countries, as classified in Table No. I, have adopted this device in their industrial development programme: -

TABLE NO. 1
NUMBER OF COUNTRIES WHICH HAVE ADOPTED INDUSTRIAL ESTATES

S.NO.	NAME OF THE REGION	NO. OF COUNTRIES	PERCENTAGE TO TOTAL
1.	Europe	12	21.4
2.	Asia and the Far East	16	28.6
3.	North America	3	5.4
4.	South America	11	19.6
5.	Africa	14	25.0
Total		56	100.0

SOURCE: Compiled from the statistics available in the U.N. - Industrial Estate Policies, Plans and Progress 1962-63. P. 3-6.

The table no. 1 analyses the number of countries where the industrial estates have started functioning. Among the regions, the Asia and the Far East stands first having 16 countries which represent 28.6 per cent of the total. In order of number and percentage second is Africa where 14 countries representing 25 per cent of the total have followed them. Third and fourth regions are Europe and the South America having 12 and 11 countries with a percentage of 21.4 per cent and 19.6 per cent respectively. North American countries represent only 5.4 per cent in the total number of countries. The important countries which are showing an increasing interest in promoting these estates are India, Mexico, Brazil, Netherland, Belgium, Denmark, Finland, Switzerland, Canada, Latin America, Columbia, Sweden, Japan, the U.S.A; the U.K. and Italy etc. In the early beginning, the speed of setting up industrial estates was very slow and confined to developed countries but now all the above mentioned countries have recognised their importance in the economic development.

ROLE OF INDUSTRIAL ESTATES:

The interest in industrial estates has increased in both developed as well developing countries. It has been pointed out in the First Chapter that the promotion of

small scale industries has been widely accepted in advanced country. This sector has received a great attention in developing countries which are facing a mounting pressure of population, a general shortage of investible funds, lack of technical and managerial know-how and non-availability of modern and sophisticated machinery and equipment etc. etc. To overcome various problems of under-developed and developing countries the decentralisation of industries is required to a considerable extent.¹ In the present circumstances all the countries are facing the problem of congestion of industrial units and scarcity of land near the industrial cities. To reduce the over burden of population

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1. The decentralisation of industry is needed due to following purposes: -
- (a) It avoids concentration of industries in big cities and industrial towns.
 - (b) Checks the flow of population from rural to urban areas.
 - (c) Makes the efficient and productive use of resources of developing countries available in backward and depressed regions by establishing new enterprises.
 - (d) Helps in generating better employment opportunities and thus the standard of living of people is raised.
 - (e) Helps in increasing the national and per capita income of people.
 - (f) Brings proper distribution of economic power among the people.
 - (g) Expands and diversifies the industrial base of different regions suffering from prolonged industrial depression.

of big cities it becomes necessary to shift industries to rural and less developed areas. For this purpose the diversification of industry has been accepted by all the nations. "The industrial estate is primarily a device for expanding, strengthening and locating small or medium scale industries as a part of a broad programme of industrialisation and social development."¹

In fact, these estates provide an organisational set up in which small and medium sized units get a favourable environment to grow. This device is not only important for rapid industrialisation but has an unique role to play in achieving decentralisation of industry. In this regard the report of the United Nations on the establishment of industrial estates in developing countries states, "The industrial estates have played a role in the government policies aiming at the same time at diverting industry from certain relatively over populated or over industrialised centres, steering it towards depressed or less developed areas of the country and inducing and facilitating its establishment in these areas, some policies also aim at promoting industry throughout the country."² This indicates

1. U.N. - The Physical Planning of Industrial Estates, 1962, P.V.

2. U.N. Op.....cit..... 1962 P. 31.

that the technique of industrial estates is applied in order to implement the policies of decentralisation. It is, however, certain that induced industrialisation becomes necessary in such economies where frame work of social overhead is insufficient. The promotional measures and the incentives, officially or privately sponsored are inevitable. These estates provide facilities to make them viable.

While stressing the importance of industrial estates Bredo remarked, "The industrial estate is one among social effective devices for fostering new entrepreneurship and orderly industrial expansion. It is a focal device around which other institutional means of supporting industry may be deployed. Leaders in less developed countries are increasingly aware of the possibility of using industrial estates to give direction to the small and medium scale industrial sector."¹ Thus, the programme of industrial estates have proved its vital importance in industrialisation on decentralised pattern. Due to their importance, the planners of different countries have recognised it as an effective tool in reducing concentration in big cities, checking migration from rural to urban areas, increasing employment opportunities, enhancing national and per capita income, improving technology, checking imports and boosting exports etc. etc.

1. Bredo, William - Industrial Estates, Social Technology for Economic Development. U.N. Science and Technology for Development Vol. IV 1963 P. 86.

INDUSTRIAL ESTATES PROGRAMME IN INDIA:

In India the industrial estates programme was launched after independence. After 1947, there was an influx of refugees from Pakistan who were placed homeless and out of jobs. The main task before the government was to accommodate these displaced persons with good employment opportunities. The objective could only be attained through the diversification of industry. Therefore, for this purpose the government of India adopted the technique of industrial estates in 1955 on a large scale. The main purpose behind it was to provide infrastructural facilities to small scale and cottage industries.

Again, there is a point which makes necessary the introduction of these estates is the high rate of growth of population and its migration from rural to urban areas. Due to this, the problem of congestion and sub-standard housing has become acute. To overcome this handicap the technique of industrial estates is considerably useful to set up small scale enterprises in rural and depressed areas.

Like other developing countries; there is a general shortage of skilled manpower, finance and credit facilities, raw material and sophisticated machinery and equipments in India. In order to achieve success in setting

up a socialistic pattern of society and reducing economic deviations of the masses, the promotion of small scale, cottage and household industries is desired to a great extent. To enhance the pace of the growth of small scale units, industrial estates have been envisaged as effective organisations. "An industrial estate provides an ideal tool for integrated development."¹ The role of industrial estates as a measure of further dispersal of industries as well as the development of backward areas has been recognised in the five year plans. Therefore, for the promotion and construction of industrial estates every year and in each plan a considerable amount is allocated and spent. The following table depicts the picture of plan provisions for industrial estates.

TABLE NO. II

PLAN PROVISIONS FOR PROMOTION AND ESTABLISHMENT OF
INDUSTRIAL ESTATES

	<u>Amount in Crores of Rs.</u>
First Five Year Plan)	10.98
Second Five Year Plan)	
Third Five Year Plan	22.56
Ad-hoc Plans 1966-69.	7.35
Fourth Five Year Plan	18.15

SOURCE: Five Year Plans and the Thaper's Indian Industrial Directory 1970-71 P. 85.

1. U.N. Science and Technology for Development of Industries 1962-63 P. 35.

The table no. II clearly indicates that quite a handsome amount is invested in various plans. In the first and second five year plans an amount of about Rs. 10.98 crores was earmarked for the promotion and establishments of Industrial Estates. In the third five year plan an increasing amount of about Rs. 22.56 was provided. This shows that during the same plan the provisions were more than double in comparison to provisions of First and Second Plans. During ad-hoc plans Rs. 7.35 crores were earmarked and spent. The fourth plan provides Rs. 18.15 crores to establish a new and improve the working of old industrial estates. During the third plan period actual expenditure on these estates came at Rs. 22.15 crores.¹ The table further indicates a downward trend after the third plan. It states that in the third plan quite a large amount was provided but for the fourth plan only Rs. 18.15 crores are available which is about 19.5 per cent lesser than the amount available in the third plan. It is due to the fact that the government has now stopped further construction of industrial estates. It is noted that the construction of industrial estates by the government, has not proved successful due to various reasons which are dealt in detail in the following pages with reference to the industrial estate of Atrauli.

1. The Thaper's Industrial Directory, 1970-71, P. 85.

Besides State and Central Governments, many agencies like Cooperative Societies, Joint Stock Companies and Commercial Banks are also playing a crucial role in setting up industrial estates. In the Fourth Plan, it has been laid down that government should attribute a major part of its responsibilities to cooperatives and joint stock companies for constructing their own factory buildings on developed sites, and provide them on leasehold term. Before the nationalisation of banks there was a general view that banks have neglected the small scale industries and credit advanced to them was not according to their importance in the national economy. It is only after social control and more so after the nationalisation that banks have realised their importance and have given due attention to this sector. The role of commercial banks in industrial estates is given in Table No. III.

TABLE NO. III
ADVANCES BY COMMERCIAL BANKS FOR SETTING UP INDUSTRIAL ESTATES

(Rs. lakhs)

As on Last Friday of	Limit in Force No. of A/Cs	Balance Outstanding No. of A/Cs	Outstanding Amount	Balance outstanding as % of limit in force	Total Outstanding advance of Commercial Banks	(5) as % to (7)
1	2	3	4	5	6	7
June 1968	24	12.28	13	6.80	54.6	310289
March 1969	70	32.36	N.A.	18.84	58.2	339632
June 1969	62	64.46	48	27.42	42.5	359877
Sept. 1969	23	98.54	22	26.05	26.4	342350
Dec. 1969	26	109.66	25	26.04	23.8	361592
March 1970	31	117.29	31	36.13	30.8	397103
June 1970	57	168.06	57	88.65	52.8	421267
Sept. 1970	53	148.00	53	66.00	46.0	424646
						0.0422
						0.0455
						0.0476
						0.0472
						0.0472
						0.0491
						0.0321
						0.0316

SOURCES:

Quarterly Economic Report of the Indian Institute of Public Opinion Vol. XVII,
No. 3, Table VII B Jan - March 1971 P. 28.

The table no. III indicates that at the end of June 1968, prior to the institution of social control, advances by scheduled commercial banks for setting up industrial estates aggregated to Rs. 6.80 lakh with 54.6 per cent of total limit in force representing 0.042 per cent of total credit advanced by these banks to different sectors. Social control led to a further improvement in advances. It touched to the level of Rs. 27.42 lakh representing 0.048 per cent of credit of banks in June, 1969.

The nationalisation of banks, since July 1969, has given a fillip to the flow of credit for industrial estates. In June 1970 outstanding advances came to Rs. 89.0 lakh accounting for 0.03 per cent. In September 1970 the absolute figure for industrial estates stood at 68.0 lakh representing about 0.03 per cent of total advances to all sectors of economy.

Although nationalised commercial banks are playing a pivotal role in financing industrial estates but if their advances to these estates are compared with the total advances, the share of industrial estates seems negligible. Therefore, the working of nationalised banks left much to be improved. They should finance these estate

liberally. Hence, it may be suggested that these banks, at least 5 per cent of their total advances, should provide for industrial estates.

GROWTH OF INDUSTRIAL ESTATES¹

Since the adoption of this technique in 1955, a large number of industrial estates have come up in different parts of the country. The first industrial estate was set up near Delhi in 1956. Since then it has grown into a vast programme with more than 500 industrial estates functioning or under construction. During First five year plan only 10 estates¹ could be constructed but during the next two plan quite a substantial number of industrial estates were established. By the end of March, 1969, there were 346 estates as compared to 66 at the end of March 1961. In all 346 estates, 8670 factory sheds were constructed out of which 6600 could be allotted. The total employment provided by small units working in these estates stood at 82,700 persons producing goods worth about Rs. 1000 million. At the end of March 1969 nearly 125 Cooperative Societies were also registered for the establishment of industrial estates in different parts of the country.²

1. Vepa - Ram, K., Small Industry in the Seventies Vikas Publications, 1971, P. 33.

2. The Economic Times Feb. 8, 1971.

In U.P., a large number of industrial estates are functioning satisfactorily due to best efforts of the State Small Industries Corporation. Till March 1971 the Corporation acquired 4,678 acres land for the construction of factory sheds near industrial estates. Out of this 1,470 plots with a total area of 2,577 acres have been allotted to small entrepreneurs. In these plots all necessary infrastructural facilities as required by entrepreneurs are arranged at minimum possible charges. The payment for plots is realised in instalments spread over a period of nine years. On outstanding balance the rate of interest is reduced to 6½ per cent. For promoting small industries in backward areas the rate of interest is 5½ per cent.

All the districts of the state are now covered under the industrial estates programme. There were 70 large, medium and small industrial estates functioning in the state with a total capacity of 1,012 factory sheds and 385 developed plots at the end of Dec. 1970., as against 36 industrial estates with a total number of 488 factory sheds at the end of 1966-67. But only 971 factory sheds and 170 developed plots could be allotted and out of these only 838 factory sheds and 10 plots were occupied. The number of industrial estates and their accommodational capacity has increased to double. There were 277 new units producing goods worth about Rs. 2.40 crores in 1966-67 as against 548 new units producing goods worth about Rs. 9.36 crores at the end of December 1970. These industrial estates provided employment to about 7,000 persons during 1970-71. The comparative position of industrial estates is presented in Table No. IV.

TABLE NO. IV

POSITION OF INDUSTRIAL ESTATES PROGRAMME IN U.P.

PARTICULARS	AT THE END OF DECEMBER 1970	AT THE END OF MARCH 1971	% OF 1971 TAKING FIGURES OF 1970 AS 100	% INCREASES IN 1971.
I- No. of Industrial Estates	70	70	100	00
II- No. of sheds and Developed Plots constructed:-				
(a) Sheds	1,012	1,087		
(b) Developed Plots	385	596	149.1	49.1
III- No. of sheds and Plots Allotted.				
(a) Sheds	871	900		
(b) Developed Plots	170	482	132.8	32.8
IV- No. of sheds and Plots Occupied:-				
(a) Sheds	838	887		
(b) Developed Plots	100	330	129.7	29.7
V- No. of sheds and Plots started production.				
(a) Sheds		527		
(b) Developed Plots		60	107.1	7.1
VI- Employment created	7,000 Persons	7,805 Persons	111.5	11.5
VII- Annual Production	Rs.9.36 crores	Rs.9.89 crores	105.7	5.7

SOURCES: Compiled from the Statistics available from the Planning and Research Division, Directorate of Industries, Kanpur, U.P.

Although table no. IV indicates no change in the number of industrial estates but a tremendous increase in the number of factory sheds and developed plots was witnessed during the first quarter of 1971. At the end of March 1971 there were 2083 sheds and developed plots as against 1397 on 31st Dec. 1970. The number of allotted sheds and developed plots increased by 32.8 per cent. During three months ending 31st March 1971, 39 new small units started production and created additional job opportunities for 805 persons. The production increased by Rs. 0.53 crores which represented 5.7 per cent.

Thus, these estates are providing assistance to a large number of small units but the number of industries functioning in these estates, if compared with total number of small enterprises which is about 32,000 is much less. Therefore, this programme should be given considerable attention by the state government.

It is also evident from the table no. IV that 701 factory sheds and developed plots could not be allotted due to lack of demand. The funds, spent on the construction and development of these sheds yield no return. From the stand point of industrial efficiency and rate of economic growth there is a strong case to accommodate some large and

medium scale units to fill idle capacity. To attain the objectives of industrialisation it is required that estates should not exclusively be reserved for small scale units. For giving fillip to small scale industrial production they may be given priority over large units. If large units are accommodated in industrial estates the economy can be benefit-ed as follows: -

1. Small scale ancillary units can fulfil the needs of the larger units at their doors and the overhead charges such as transport, supervision, raw materials and retransportation will not be unnecessarily added up to the production costs of the small units.

2. Whenever needed the supply of patterns, designs, tools and raw materials can be easily arranged by the large units at any time depending upon the urgency of requirement and the difficulties faced by small units.

3. Effective cooperation and coordination can be ensured between the individual small unit and large unit. The effective control over ancillary operations can also be ensured and achieved.

4. Easy access and frequent inspection and technical guidance by local or large units can be facilitated conveniently at the site of small units. In this way

encouraging them on new lines of manufacture, many problems can be solved conveniently and at lower costs. Changing industrial engineering techniques towards getting higher productivity can easily be transmitted to small units in the estate.

5. The small units can supplement each others shop facilities for various types of jobs like casting, drilling, shaping and turning etc.

6. - The supply of components to large units can be made easy.

7. In the case of defence production undertakings, the secrecy of manufacturing different types of components can be maintained easily.

8. The production of certain complicated manufacturing components and parts involves the movement of costly special tools from large units to small units. By sponsoring the latter in the vicinity of the former, the safety and security of such tools and equipments can be ensured.

9. Much time, money, and technique can be saved by contacting the small units immediately.

10. The large units can ascertain easily periodically the position of the small units to supply feeder items.

11. The large units can assist effectively the small units in various matters such as purchase and storage of raw materials, maintenance of accounts and costing records, implementation of the provisions of the Factories Act and other legal statutes, legal advice, office administration, selection and erection of machinery, and training the workers etc. etc.

12. Large scale units possess larger amounts of capital. They can defend themselves and also help the economic growth of a relatively backward areas by saving small units from serious handicaps. Moreover, ancillary and other small units can take advantages of the market offered as well as the infrastructure created by them.

It is evident from the above that the accommodation of some large units in industrial estates is much useful to small scale units particularly ancillary units but this accommodation is not free from some defects. There is a tendency among large units to have family owned captive corporate arrangements to take the advantages of certain privileges available to small scale units. In such cases a small scale unit is not an independent unit catering to the needs of the large scale unit but a part of the large unit itself. Therefore, care should be taken by the government to ensure against the benefits for small units being reaped by large units.

Besides, if the small units are specifically set up by large entrepreneurs themselves in the name of their own relatives and selling products only to their parent companies, the cost of production would be bloated. Therefore, the government authorities should check such mischievous elements and find out the ways to solve the problem.

Although the mixed accommodation of small units and medium and large units is not free from dangers but still it is useful for both small and large units in many respects. It is needed that some quota of sheds in industrial estates should be fixed exclusively for large scale units. But the ratio of such quota may vary according to the needs and the location of industrial estates.

Besides, if there is an insufficient response from small scale entrepreneurs in any estate, idle accommodation should be allotted to large units where-ever possible, instead of wasting valuable natural resources and funds.

Thus, the grouping of entrepreneurs of all types on an industrial estate makes it practical and economical to give them not only sustained assistance a benefit than can seldom be extended to individual small enterprise outside the estate. The significance of these estates lies in the fact that they institutionalise certain

facilities required by small entrepreneurs, as the individual estate generally develop inter-trading and inter-servicing relationships among occupants. They are being seen as effective devices to promote ancillary and complimentary relations among small and large scale units.

For healthier growth, the industrial estates scheme of each state government should be coordinated with its general industrialisation programme. The new tendency should be to combine on the same tract of land an industrial estate for small scale industries and an industrial area for large units. One of the principal advantages of this being the promotion of ancillary and complimentary relations.

An industrial estate technique will have a good impact and usefulness, if on the one hand, it integrates all or most of those facilities and services required by small units and on the other hand it is backed by an overall development programme for small industries. An industrial estates programme is not a substitute for an over all development programme for small units, but it should be an integrated part of it. In this context I can specifically quote an example of Aligarh District where special care is being taken in this connection. After

the establishment of industrial estate near Exhibition ground the industrialists have rushed to set up their units. It seems that after some time this estate will be surrounded by all important industries in the District. Another important benefit which these industries will avail is the nearness to the exhibition ground which ^{will} prove a great service of advancement.

ROLE OF INDUSTRIAL ESTATES IN ALIGARH DISTRICT

Aligarh is famous for several industries like lock, building fitting material, handloom, sanitary wares, oil, biscuit, nuts and bolts, baby toys and ricksha and scooter parts etc. The important among these industries is lock and key manufacturing industry. Prior to 1961, these units were organised on cottage basis and due to lack of organisation they did not enjoy the various assistance extended by the state government and other institutions. These enterprises used to be accommodated in very dingy places where people from neighbouring areas used to come for jobs and work in unsuitable environment. In 1961, when industrial estates programme was launched at large scale, the state government after examining the industrial viability of the district set up an estate near exhibition ground to provide the accommodation to the people and other

infrastructure necessary for the development of small scale units. Later on, in 1966 another estate was established in Hathras on the Agra - Aligarh Road which has proved its effectiveness in creating environment for the industrialisation of the region. With the completion of the construction of the industrial estate at Atrauli the district enjoys the honour of having three out of seventy estates in Uttar Pradesh as shown in table no. IV.

It is evident from the table No. V that these estates have a capacity of 218 sheds and development plots. Out of these 134 sheds and plots representing about 61.7 per cent of the total have been completed. But there are only 84 sheds and development plots which represent 38.5 per cent of the total and 62.7 per cent of number of constructed plots and sheds are occupied and have started production.

TABLE NO. V

POSITION OF INDUSTRIAL ESTATES PROGRAMME IN ALIGARH DISTRICT

As on 31st August 1973.

INDUSTRIAL ESTATE	NO.OF SHEDS % AND DEVELOP MENT PLOTS ALLOTTED	TO TOTAL	NO.OF SHEDS AND PLOTS COMPLETED	% TOTAL	NO.OF SHEDS AND PLOTS OCCUPIED	% TOTAL
Aligarh proper	124	56.9	88	65.7	60	71.4
Hathras	84	38.5	36	26.9	24	28.6
Atrauli	10	4.6	10	7.4	--	----
TOTAL 218	100.0	134	100.0	84	100.0

SOURCE: Data collected through personal investigation.

It is also clear from the table above that out of 218 factory sheds, 124 are allotted in Aligarh (Estate) - i.e. 56.9 per cent of total. The industrial estate of Hathras represents 38.6 per cent of the total sheds. Smallest in order of number of sheds is Atrauli, where only 10 sheds are constructed. Among the constructed sheds and plots Aligarh estate leads with 88 out of 134 such sheds. In Hathras there are 36 sheds which represent 26.9 per cent of constructed sheds. In the total occupied sheds and development plots the share of Aligarh is largest which represents about 71.4 per cent of the total having 60 sheds and plots. The balance of 28.6 per cent are represented by the Hathras industrial area.

The industrial estate of Aligarh proper and Hathras are working satisfactorily. They are providing facilities essential for the working of small scale units. In these estates different types of establishment such as engineering, chemical, electrical, pharmaceutical etc. are set up. Among all these categories, engineering industry group predominates and nearly 80 per cent of the total units fall under this group. These two estates provide employment opportunities to about 1,000 persons with an annual production of Rs. 10 million.

Thus, the industrial estates programme in Aligarh has proved a good impact on the economic development of the district. Due to the efforts made by the authorities of these estates, every year, quite a substantial number of small units have been springing up in and around these estates. But it is disheartening to note that even after three years of its construction, the industrial estate of Atrauli could not start functioning. With regard to the government disappointment at the lack of enthusiasm among entrepreneurs to occupy the factory sheds. I would like to point out that Atrauli is a small town and does not have favourable environment for industrialisation. To expect a person with agricultural background to venture to start an industry is unlogical. The people of the town are traditionally engaged in professions like agriculture money lending, trade of food grains and other crops, petty shops, etc. etc. while industries require enthusiastic technical persons having sound knowledge of production methods.

Due to unwise location of the estate a proper arrangement of even basic facilities like electricity, water supply, sanitation, machinery, raw materials and finance could not be made. Again, it is constructed away from the main town and hence lacks adequate safety and security measures

There is also a general shortage of skilled and efficient workers in the town. Besides, a small entrepreneur is required to obtain many sanctions and allotment for the procurement of raw materials, connection of electricity, machinery and equipment, and for the sale of his products to government agencies. In addition to all these hazards, he has to go to district head quarters at Aligarh and Hathras to plead his case personally. Unless he approaches to authorities concerned his case may either be delayed or even rejected without any consideration. There is the question of finding good customers for the product of small enterprises in small towns. The customers are reluctant to go to such places when they can get similar articles in big cities. Under such circumstances people without sound industrial background abstain themselves to start industries. This is equally applicable in the case of Atrauli and there is no wonder that a large number of entrepreneurs every year are coming forward to set up industries in Aligarh and Hathras industrial estates. Unless the government comes up to offer facilities and concessions to industrialists there can be no demand for factory sheds in the said estate.

In this respect the attention of the engineer manager of the industrial estate, the area development officer, and the concerned authorities is drawn to provide infrastructural facilities to small entrepreneurs of the

town. If possible, sheds should be allotted to technically qualified persons having sound knowledge of production at concessional ^{rates} or even free of rent for some times. The area development officer should visit each existing factory at least once a month and enquire about the problems faced by the units in regard to finance, raw material, machinery and marketing etc. After noting such handicaps, either he should try to alleviate the sufferings as soon as possible or bring to the notice of his higher authorities and then solve them properly. After assessing the success or failure of industrial estates in Aligarh district, I presume that findings regarding Aligarh would also be generally applicable to other regions of Uttar Pradesh. To translate district and state plans in to reality these estates have a great role in the promotion of small scale units. Industries functioning in industrial estates are liberally financed by commercial banks and other financial institutions and look after by the state government. In the light of the experience of Aligarh district it may be noted that these estates have a good impact on the economic development. In order to increase their efficiency and effectiveness, the following measures may, be taken into account: -

1. Industrial estates should not be treated exclusively as accommodating centres of small industries. Besides, they impart a number of facilities to units working in these estates. Therefore, the site for them should not be selected in a haphazard manner and on political or other grounds. In selection of sites economic indicators should be kept in mind and they should be established in promising areas. It has been noted that the location of industrial estates in isolated places and away from the market centres or centres where large and medium scale industries which provide a market for the products of small scale industries has been responsible for the shortfalls in the utilisation of capacity in many industrial estates.

The selection of sites for industrial areas should be made on the basis of quick-techno-economic surveys. It is suggested that in future estates should be established in areas which can function as growth centres taking into account various criteria like size of population, the rate of growth of population, extent of available infrastructural facilities, functional orientation toward industry and commerce, inherent capacity of industrialisation, availability of skilled labour and raw materials, public support and other required facilities. Pre-location studies should be conducted to decide the type of industries to be accommodated.

It may, however, be mentioned here that industrial development of rural and backward areas requires the infrastructural facilities in advance. Therefore, in these areas the authorities concerned should make proper arrangement of basic facilities like water, electricity, communication, sanitation, transportation etc. etc. Attention should also be given to the supply of raw material, machinery, credit and marketing facilities which have an important role to play in industrial development.

2. At the time of allotment of factory sheds special preference should be given to technical entrepreneurs and the export oriented industries. Care should be taken to accommodate local entrepreneurs. At present, almost in all industrial estates it is found that people from other states have occupied a large number of sheds. These people are only concerned to earn maximum profits and do not give due emphasis to the development of the area. This leads transfer of resources from one place to another place. It may be checked through the creation of entrepreneurial habit among the local people. But at the same time, if such persons are not available in the locality it would not be unjust to fill vacant sheds by allotting to entreprising people of other localities.

3. Further more, these estates should not be exclusively reserved for small scale units. Some sheds should also be allotted to large scale and medium sized industries. If it is followed, it will help in promoting ancillary relationship among large, medium and small sized units and result a balanced growth of industry.

4. For getting success in the programme, liberal loan policies should be adopted by nationalised commercial banks and other financial organisations. If we compare the loan sanctioned for the establishment of industrial estates before and after the nationalisation of banks it will be clear that no sincere step has been taken by banks to finance these estates.

5. About the success of industrial estates, it is noted that estates set up and run by the government in many cases remained unoccupied for a long time. In this regard it can be suggested that state governments should stop further construction of industrial estates. To give a fillip to the construction of sheds, 100 per cent loans of the cost including electrification, sanitation and water supply fittings should be advanced at nominal rate of interest ^{payable} in easy instalments. The ownership of such sheds should be left in the hands of a promotional agency like a neighbouring industrial estate which can

recover rent from entrepreneurs. This system of construction assures the early occupation. To promote rural industrialization, such loans can be given on preferential basis.

6. Most of industrial estates do not have suitable arrangements of dumping the wastes. Industrialists either throw it near the estates or at the most in near by river or stream or burn it. All these methods of getting rid of wastes create the problem of pollution which is harmful for the health of workers and the community and such practice makes difficult for the proper functioning of the estates. Therefore, for the success of estates it is necessary to collect it in proper places which may be utilised for some other purposes.

7. As has been pointed out in the second chapter that these estates should be declared as prohibited areas to check theft and pilferages.

8. It is desirable that the government should assist the industrial estates set up by Cooperatives and Joint Stock Companies to genuine small entrepreneurs. Large scale units should also be encouraged to develop industrial estates near their units for the production of feeder items.

9. These estates lack a proper marketing organisation. Sales through them are found very small and export are negligible. For successful production it is required that small entrepreneurs with meagre resources should be assisted through a common marketing centre and federation at district and state levels, respectively. To enhance exports from small scale sector, the government should come forward to set up standardisation and quality control cell in each estate and have a strict vigil on the production of articles for exports. For creating demand in the local markets these estates should be given facilities to organise sales emporia in different market centres. Thus, efficient and forward looking firms, even though of modest size, can contribute to development of export trade, specially if market exploration is undertaken cooperatively and with government help.

10. Industrial estates can play an important role in modernisation of small scale sector provided that they are properly equipped with modern techniques of research and development.

The analytical study of this chapter reveals that the technique of industrial estates is envisaged as an important tool for the decentralisation of industries.

An industrial estate is a selected piece of land where a group of small units can avail various common facilities which are impossible for them to get otherwise. An industrial estate for a factory provides ready built factory sheds, fuel and power, water supply, railway sidings, roads, post office, bank facilities, hospital, canteen, library, club, general shops, market and export informations, training and research facilities etc. etc.

In order to achieve economic self sufficiency and social uplift, the importance of industrial estates is significantly increasing in developing countries like India. To promote small units in backward areas and reduce regional imbalances, the technique of industrial estates was adopted in 1955. Since then a number of small, medium and big industrial estates have been set up in different parts of the country. In U.P. alone, 70 industrial estates with a capacity of 1087 factory sheds and 996 development plots have been constructed in rural urban and semi-urban areas. Out of these, 900 factory sheds and 482 plots were allotted but only 887 sheds and 330 development plots could be occupied at the end of March, 1971. During the same year goods worth about Rs. 9.89 crores were produced as against about Rs. 2.40

crores in 1966-67. They generated employment opportunities for about 7,800 persons during 1970-71.

In Aligarh district, three out of seventy estates in U.P. have been set up with a capacity of 218 factory sheds and development plots and out of these 134 sheds and plots are ready but only 84 units are working in these sheds. These estates excluding industrial estates of Atrauli provide facilities essential for the working of small scale industries.

Among the achievements of the programmes of industrial estates in India particularly in Aligarh district, the growth of industrial enterprises, the dispersal of industries to the less developed areas, and the discouragement of further concentration of the population and industry in big cities are creditable. The estates have assisted individuals with small means and inadequate experience to develop entrepreneurial talent and have also added to the employment potential. About 1000 persons are getting direct employment in these estates.

As against their achievements, these estates have failed to disperse industries in some places due to defective locations. A productive unit can be set up profitably either near the marketing centres or near the

source of raw material or near transshipment or junction. Therefore, these measures should be given due consideration in future. On the whole the industrial estates have proved successful to provide working facilities to small enterprise yet these units face innumerable problems in seeking financial accommodation. In this regard the institutional sources of credit to small scale industries in India form the subject matter of subsequent chapter.

CHAPTER IV

INSTITUTIONAL SOURCES OF CREDIT TO SMALL SCALE INDUSTRIES IN INDIA

The third chapter presented an analytical study of the role of the industrial estates and their impact on the economic development of the country. It has been pointed out that these estates have a pivotal position in the decentralisation of industry through the development of small scale units in backward areas. Though, they provide various assistance to small units yet these units face innumerable problems in seeking financial accommodation from institutional organisations. In the matters of finances to small scale sector a substantial success has been achieved through the introduction of a well developed net work of institutions and their liberal policies, but the working of these organisations has left much to be desired as regards their efficiency. In the following pages, an attempt has been made to examine the working of important institutions which have though shown a liberal attitude towards the small scale sector yet they need rethinking in providing finances for the total needs.

In the small scale sector usually individual proprietors or at the most a very limited number of shareholders are found as owners and controllers of a unit. At the same time, they work as managers, supervisors, directors, and financiers of their enterprises.¹ As such, the success of a business unit is conditioned by the aptitude and the resources of the owner. Small units are lagging behind with the large units in many cases due to the problems peculiar to such organisations. Among their handicaps the shortage of finances and inadequate credit facilities are depressing their growth.

Although the bottleneck of finance is of such a nature which can easily be separated from other problems like marketing, unavailability of raw materials, unskilled workers, management etc. but the ultimate cause of all these problems is the shortage of finance. The International Planning Team of the Ford Foundation in its report rightly stressed: "The problem of small industries together form a vast complex where the different parts, regarding material, production, quality control, finance, marketing etc., cannot be solved separately. The credit and finance problems have to be tackled as a part of the

1. Bhushan, Y.K. Fundamental of Business Organisation and Management, P. 347.

whole programme, if they are to be solved. For, without proper finance there will be no efficient planning, nor purchase of material, nor production, nor marketing, nor any fair profit, the latter in its turn forming the foundation of the finance itself.¹ It has been recognised in various small industry assistance programmes that adequate finance is essential if this sector is to develop on the lines as envisaged in the industrial policy resolution and the five year plans.

As a consequence, small units in India are facing a number of drawbacks in seeking financial accommodation. On account of their small size and organised on proprietary basis these units do not have access to the organised capital market and avail the various facilities provided by financial institutions partly because of their size and partly because of their scanty surpluses which cannot be utilised to repay the loans. These units are found in dearth of investible funds due to limited profits. Considering the handicaps of small units from the economic point of view, the main aim of the Government policy has been to ensure a free flow of adequate finance through institutional sources so as to achieve desired goals.

1. The International Planning Team, the Ford Foundation Report on small industries in India, Govt. of India, Ministry of Commerce and Industry, 1955, P. 37.

Like other businesses, the financial means of small units are also classified as owner's capital¹ and borrowed capital.² Both types of capitals are utilised for meeting short-term, medium-term, and long-term expenses of the business. Long term expenses are incurred for acquiring assets of capital nature such as land and building, furniture, fittings and machinery etc. Short term expenses include recurring expenses. Medium term expenses utilised for the purchase of raw material and the personal expenses of the entrepreneur.

Before discussing the role of different financial institutions which extend credit facilities to small sector in India, it would be pertinent to note the financial sources of small units in some advanced countries. Therefore, I have dealt, however briefly, the position of some countries like United Kingdom, United States, Japan, Canada and Australia that have set up various institutions to look after the financial affairs of small business enterprises.³ In the United Kingdom

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1. Owner's capital is the equity or risk capital which is the result of owner's own savings. It is used for meeting recurring expenditure.
 2. Borrowed capital is consisted of borrowing from others on which some interest is charged and which is repayable after some time.
 3. Society for social and economic studies, Capital for medium and small scale industries. Asia Publishing House, 1959, P. 81.

the financial assistance to small scale units is available from a variety of sources. These include the Development Commissioner, the Rural Industries Loan Fund Limited, the Development fund, the Rural Industries Bureau. These are government agencies. The semi-government agencies are the Scottish country. Industries Development Trust, the National Union of Manufacturers' Advisory Service Limited (NUMAS). In the United Kingdom there is also a Revolving Fund for industry operated by the Board of Trade and established as part of a conditional academic programme to help small and medium units to increase their productive efficiency. The Scottish Council, and the Highland Fund Limited are also providing various services to small scale units.¹

In the United States of America, the Small Business Administration is a whole sole body to look after the affairs of small business. For financial assistance to Small Business specialised banking system has also been developed.² The Small Business Organisation provides loans either singly or jointly with banks for business construction conversion or expansion, purchase of machinery, raw material and for working capital.

1. U.N. - Services for Small Scale Industry Geneva 1961
P. 175-76.

2. Ibid.

In Japan, which is called as a country of small industries various agencies including government, semi-government and private are rendering various financial assistance. The financial institutions for small industry in Japan include - Banks, Mutual Loan and Savings Bank Credit Associations, Credit Guarantee Association, Shoko Chukin Bank,¹ Small Business Finance Corporations, People's Finance Corporation, Small Business Credit Insurance Corporation, Small Business Promotion Corporation. Thus there is at present, a well developed system of financial institutions in Japan.² Some are purely private some semi-government, and one purely government (the Shoko Chukin Bank) which renders financial assistance to small business. The government and semi-government institutions have played a significant role in assisting enterprises which may not have been qualified to receive assistance from normal commercial institutions.

Among all the financial institutions, the Commercial Banks predominate with 46.5 % of all financing.

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1. The Central Bank for Commercial and Industrial Cooperatives was established in 1936 under a special law. The capital of the Bank was raised from the contribution of Government and Cooperative Organisation. The total capital of Banks stands at 23.2 billion yen of which govt. share is 14.9 billion yen and of those of Cooperative Organisation 8.3 billion yen.
 2. Vepa - Ram, K. Small Industry in the Seventies, Vikas Publication 1971, P. 65-67.

Among commercial banks, local banks, as a matter of fact, occupy the largest share. More than 50 per cent of their total lendings are being represented by credit granted to small business.¹ Comparative performance of all banks and other institutions is given below: -

TABLE NO. I
SMALL BUSINESS FINANCED BY FINANCIAL INSTITUTIONS IN
JAPAN

<u>Year</u>	<u>All Banks</u>	<u>Others</u>
1955	58.3 %	41.6 %
1958	55.6 %	44.4 %
1961	50.1 %	49.9 %
1965	46.5 %	53.5 %

SOURCE: Vepa, Ram, K. Small Industries in Japan, Vora and Company, Publishers Private Limited, 3 round building, Bombay, 1967, P. 80.

The above table indicates that the commercial banks' share in providing finance to small business has been gradually declining and has fallen from nearly 60 per cent to 46.5 per cent in recent years. The loan facilities rendered by other institutions are on the increase. They increased from 41.6 per cent in 1955 to 53.5 per cent in 1965. This is due to the liberalisation of credit facilities by other specialised financial institutions in Japan.

1. Ibid.

The outstanding loans to small business by financial institutions as on December 31, 1965 were as follows : -

TABLE NO. II

SMALL BUSINESS FINANCED BY THE FINANCIAL INSTITUTIONS IN
JAPAN AT THE END OF DECEMBER
1965

Type of Institution	Outstanding loans in million yen	Percentage
Total	124,42,357	100.00
All Banks (86)	57,88,257	46.50
Mutual loan and Savings Bank (72)	25,95,096	20.90
Credit Associations (528)	23,04,827	18.50
Credit Coop. Assns. (531)	6,24,676	5.00
Shoko Chukin Bank	5,09,071	4.10
Small Business Finance Corpn.	3,44,009	2.80
People Finance Corpn.	2,76,421	2.20

SOURCE: - Vopra Ram, K. Op.....cit.....1967 P. 81.

Note: - Figures in brackets indicate the number of organisations.

The above table is indicative of the fact that in 1965 there were about 86 banks in Japan accounting for about 46.5 per cent of the total loans outstanding for the country's smaller units. This accounts to about 25 per cent of the

bank outstanding loans in terms of value. The number of Mutual Loan and Savings Bank stood at 72 accounting for 20.9 per cent of the total loans outstanding. The number of Credit Cooperative Associations have reached to 531 because there is no restriction on new establishments. The share of Shoko Chukin Bank and the Small Business Finance Corporation stood at 41.1 per cent and 2.6 per cent respectively. The share of the Peoples Finance Corporation in the total outstanding loans was 2.2 per cent.

Thus, in the developed countries separate organisations have been established which look after the financial affairs of small business enterprises. The U.K. and the U.S.A. have one organisation in each one of them while in Japan there are three institutions viz. the Peoples Finance Corporation, the Small Business Finance Corporation, and the Small Business Promotion. In India there is not even a single organisation which can exclusively/entrusted with the work of financing small sector. For financing large sector there are three institutions namely the Industrial Finance Corporation, the Industrial Credit and Investment Corporation, and the Industrial Development Bank of India. With regard to making available the adequate credit facilities to small sector it may be argued that these corporations can successfully finance this sector if their jurisdiction

is expanded. But it can yield nothing but add to unnecessary administrative expenses. It is also noted that after social control and more so after the nationalisation, there has been a sharp increase in the advances of commercial banks to small scale units. But still there left a wide gap to be filled by financial organisations. Therefore, there is a strong case to bring out a separate institution for small entrepreneurs to ensure adequate funds for new enterprises as well as expansion and modernisation of existing facilities.

CREDIT REQUIREMENTS OF SMALL INDUSTRIES:

In India, from time to time, credit needs of small scale units have been estimated by various study groups. The Reserve Bank of India publishes, periodically studies on the finances of non-financial, non-government, small as well as medium and large scale enterprises. The National Credit Council while determining the financial needs of small units disclosed the following facts in its report.

TABLE NO. III

CREDIT NEEDS AND THEIR SOURCES FOR SMALL UNITS

(Estimated for 1968-69)

Particulars	Amount (Rs. Crores)	% To Total
Total Requirements	<u>533.0</u>	<u>100.0</u>
Credit made available by: -		
'A' Cooperatives	48.0	9.0
'B' Commercial Banks	258.0	48.4
'C' Other Financial Institutions	43.0	8.1
Total of A + B + C ...	<u>349.0</u>	<u>65.5</u>
Difference between requirements and availability of credit.	<u>184.0</u>	<u>34.5</u>
Total	<u>533.0</u>	<u>100.0</u>

SOURCE: Organisational Frame Work for the Implementation of Social Objectives 'A' Report by the Study Group of the National Credit Council October, 1969 Statement No. 41 P-H. 78.

The analysis of the table given above highlights that during 1968-69 small scale sector required total credit of the order of Rs. 533.0 crores. Among the sources of finances the commercial banks accounted for largest share i.e. 48.4 per cent with the actual amount of Rs. 258 crores. Cooperatives and other financial institutions provided Rs. 48.0 crores and Rs. 43.0 crores

which represented 9.0 per cent and 8.1 per cent respectively. Thus the total credit made available by the institutional sources stood at Rs. 349.0 crores with 65.5 per cent. The balance of Rs. 184 crores were either met out of the savings of entrepreneurs or from money lenders.

After the nationalisation of major commercial banks in July 1969, an added impetus has been given to finance small scale sector, the credit requirements of this sector have increased to a great extent. The working capital and long and medium term loans required were estimated at Rs. 8,000 million and Rs. 800-1000 million respectively at the end of Dec. 1969.¹ Thus, the total credit required came to about Rs. 9000.0 million. The working capitals advanced by the banks have risen from Rs. 2930.0 million in June 1969 to about Rs. 7000.0 million by Dec. 1969. There has been no corresponding increase in the long or medium term loans which stood at Rs. 250 million.² The credit needs in the present circumstances of rising prices may be estimated with reference to the price trends prevailing in the country.

1. Vepa - Ram, K. Small Industry in the Seventies, Vikas Publications 1971 P. 194.

2. Vepa - Ram, K. Op.....cit 1971 P. 197.

For the last some years the country is facing an acute inflationary tendency. The value of rupee is depreciating continuously both in the internal and external markets. Prices and costs have recorded a steady increase particularly during the Fourth Plan period. The following table presents the price trends since 1969-70 to 1972-73.

TABLE NO. IV
PRICE TRENDS (AT THE END OF THE LAST QUARTER)

Based on 1961-62 = 100

Commodities	1969-70	1970-71	1971-72	1972-73
1. Food Articles	199.0	200.0 (1)	216.0 (16)	250.0 (34)
2. Industrial Raw Materials	186.0	192.0 (6)	179.0 (-19)	235.0 (56)
3. Machinery and Transport Equipment	140.0	152.0 (12)	163.0 (11)	172.0 (9)
4. Intermediate Products	174.0	185.0 (11)	208.0 (23)	229.0 (21)
5. Finished Products	143.0	155.0 (12)	165.0 (10)	172.0 (7)
6. Manufactures	149.0	161.0 (12)	173.0 (12)	183.0 (10)
7. All commodities	175.4	180.7 (5.3)	192.2 (11.5)	218.1 (15.9)

SOURCE:- (1) Records and Statistics, Quarterly Bulletin of Eastern Economist New Delhi Vol. XXIV No. 2 Feb. 1973 P. 69.
(2) Records and Statistics No. 3, May 1973 P. 133.

Note: - Figures in brackets show variation over the previous year.

The above table indicates that the prices of food articles recorded an increase of 34 per cent and those of raw material 56 per cent in a single year of 1972-73. The rise in the prices of machinery and transport equipment was 9.0 per cent during the same year. In general the prices have a tendency to go up by about 16 per cent. From this it may be noted that the time has come when the politicians and planners should realise the fact that the small scale sector can not function without substantial financial assistance. If the general price level is taken into account, and the credit requirements are calculated on the basis of 1969 figures as given above, it will come at about Rs. 11,200 million. But due to their large number, rapid development and increasing need of modernisation and expansion, the small entrepreneurs would require quite a substantially large amount of funds. It may, therefore, be estimated that the annual credit needs of small units would be of the order of about Rs. 15,000 to 20,000 million. This amount is recommended because small scale sector is backbone of Indian economy.

After determining the fund requirements of small entrepreneurs I now turn to examine the role of various institutions which though have shown a liberal attitude toward financing small scale sector but have not been able to meet the total requirements of this growing sector.

During the last 25 years a number of credit agencies have been set up by both centre and state governments. The State Aid to Industries Act or Rules have been made easy for small units to get finances directly from State governments. In all States, State Financial Corporations have been set up to meet the requirements of small sector in a big way. To assist small units at national level, the National Small Industries Corporation was formed in 1955 by the Central Government which is rendering some special services to small units in the field of acquiring machinery, marketing, and organisation etc. In the country, the following institutions are worth to mention which provide credit facilities to small scale sector:

1. The State Financial Corporations.
2. The State Bank of India and its subsidiaries.
3. The National Small Industries Corporation.
4. The State Small Industries Corporations.
5. The Commercial Banks.
6. The Cooperative Banks.
7. The Government through State Aid to Industries. Act or Rules.
8. The Reserve Bank of India through its Credit Guarantee Scheme.

These institutions follow different procedures to grant credit to small units. I now turn to explain how these institutions advance loans to small units and to what extent small sector is benefitted.

STATE FINANCIAL CORPORATIONS:

The main object behind the establishment of financial corporations at state level was to extend loans to medium and small scale industries only. But under the present loan policy, a sizable portion of advances goes to large industries. Out of total advances small scale sector is getting nearly one-third share only.^I Several reasons may be quoted for this poor response.

From the report of some corporations it appears that by and large small scale industries are not credit worthy. Usually, they fail to fulfil the required conditions to qualify for loans. Various State Financial Corporations have experienced that small units are inherently weak from the point of view of their financial structure and resources and, therefore, cannot be trusted with long term credit. It is evidenced by the fact that the majority of defaulters

I- Reserve Bank of India Bulletin, July, 1971.

belong to small scale sector. Likewise, State financial corporations felt several other handicaps in offering loans to small units. These drawbacks are legal, financial and practical or operational.¹ Small units lack fixed assets of sufficient value to offer as security, clear title to the assets which may serve as pledge for credit, and ability to bear legal charges like stamp duty and registration fee etc. These numerous short-comings of small scale sector limit the operations of state financial corporations. It appears from the past reports that many applications were rejected by various State Financial Corporations and most of them were of small scale industrial sector. Common reasons for rejections are found as the absence of security and scope for expansion of the industries, want of capacity to accumulate profits and repay the principal and interest in specified time, adverse credit reports and inefficient managerial staff, inadequacy of records which do not reveal the clear picture of the working of the organisation². The limited good-will of small entrepreneur creates hindrances for the grant of loans. Since small industrialists are not well-known in the capital market, therefore, state financial corporations do not get full and reliable informations about their business integrity.

1. Reserve Bank of India Bulletin, Aug. 1971.

2. Background paper, Seminar on Problems of Agro-Industries in U.P. held in the Faculty of Commerce, AMU, April, 1969

There are some shortcomings on industrialists side. But the working of these institutions also needs some modifications. Firstly the borrowers are found unaware of the functions of these institutions and hence do not approach them for credit. Secondly the rate of interest which state financial corporations charge is comparatively high.¹ Some times small entrepreneurs find it unsuitable and do not take loans from them. Due to the financial weakness many small industrialists find it uneasy to afford the expenses involved in seeking the services of auditors and accountants to fill up the loan applications with the elaborate informations as required. Another drawback is that the State Financial Corporations do not have branches. Because of this shortcoming small industrialists do not have direct access to these corporations. To seek loans from State Financial Corporations small entrepreneurs are required to contact local authorities who make the process difficult. In such circumstances, small industrialists resort to such finances from money lender rather to go to State Financial Corporations.

Due to these and various other shortcomings of State Financial Corporations at the annual conference of SECI's at Bangalore, the then Governor of the Reserve Bank

1. The limit of loan granted by these corporations is from Rs. 25,000 to Rs. 10,00,000 and rate of interest varies from state to state. The normal rate is between 6½ % to 9 % and most of corporations allow a rebate of ½ % for regular payments.

rightly admitted that "the performance of State Financial Corporations leaves much to be desired particularly when what has been done is viewed against what needs to be done.¹

The Corporations can perform their valuable services if they -

1. Start assisting the small and medium scale units by providing them with equity and risk capital.
2. augment their resources to meet their increasing obligations in the wake of industrial development and,
3. try to reduce the cost of their assistance,
4. they should use better means of publicity so that small industrialists may be well informed about their recent ^{developments} or financial assistance,
5. they should not renew the loans after their maturity.

As, it is pointed out earlier that these corporations are providing a very small portion of their total advances to small scale sector but still they are rendering valuable services to small industrialists. The following table exhibits the actual performance of these corporations to small scale sector.

I. Bhushan, Y.K. Fundamentals of Business Organisation and Management P. 349.

TABLE NO. V

ADVANCES BY THE STATE FINANCIAL CORPORATIONS TO SMALL SCALE INDUSTRIES

(Amount in lakhs of Rupees)

As at the end of Year/Quarter	No. of Loans	Amount Sanct- ioned	Amount Outsta- nding	% of amount outstanding to amount sanctioned	% Increase or Decrease based on 1966-67.
1	2	3	4	5	6
1966-67	3,126	2,530	1,323	52.25	00.00
1967-68	3,808	3,383	2,104	62.18	+ 9.93
1968-69	4,701	4,351	2,457	56.47	+ 4.22
1969-70	6,839	6,176	3,158	51.13	- 1.12
1970-71	11,478	9,681	5,155	53.25	+ 1.00
1971-72	15,547	14,098	7,237	51.33	- 0.92
Quarter Ended					
Sept. 1971	13,367	11,536	6,003	52.04	- 0.21
Dec. 1971	14,412	12,762	6,483	50.80	- 1.45
March 1972	15,547	14,098	7,237	51.33	- 0.92
June 1972 @	16,349	15,185	7,761	51.07	- 1.18
Sept. 1972 @	17,083	16,156	8,287	51.29	- 0.96

@ Provisional

SOURCE: Reserve Bank of India Bulletin Jan. 1973 Table No. 52, P.152.

The table no. V clearly indicates that the advances by the State Financial Corporations to Small Scale sector have always been on the increasing trend since 1966-67. At the end of the same year the total amount outstanding with small scale units was Rs. 1,323 lakh which represented 52.25 per cent of loans sanctioned. This amount increased to Rs. 2,104 lakhs during 1967-68 with an increasing percentage i.e. 62.18 per cent. It shows that percentage of amount outstanding to loan sanctioned went up by 9.93 per cent against 1966-67. After 1967-68 the percentage of outstanding balance began to increase and it was 56.47 per cent in 1968-69 which was 4.22 per cent higher than 1966-67. At the end of 1971-72 the loans outstanding were of the order of Rs. 7,237 lakh representing about 51.33 per cent to total loans sanctioned. At the end of Sept. 1972 the total outstanding amount with the small entrepreneurs stood at Rs. 8,287 lakh with a percentage of about 51.29 to total amount sanctioned. It shows a decrease of about 0.96 per cent in comparison to the percentage of 1966-67. The table further indicates that the percentage of outstanding balance to total amount sanctioned remained decreasing since 1971-72 in comparison with 1966-67.

It is clear that the State Financial Corporations are playing a significant role in the financial assistance to small units. But if the whole working of the State Financial Corporations is examined, they are not working

according to the objects laid down in their statutes. At the time of their establishment it was determined that these corporations will function only for the welfare of small scale sector.

In the present circumstances when the need to develop small scale sector is felt greatly, the working of these corporations has been made easier to some extent for loans to small entrepreneurs. Small industrialists, transport operators, hotel owners and entrepreneurs engaged in managing industrial estates or power distribution find it easier to tap assistance from the State Financial Corporations. The loans advanced to such borrowers are guaranteed by the Credit Guarantee Corporation of India since July, 1971. These corporations are empowered to get 75 per cent of the irrecoverable amount from the Credit Guarantee Corporation.¹

In some states, the State Financial Corporations act as an agent to the state government in disbursing government funds to small industries under the agency-cum-guarantee arrangements. In the states like Tamil Nadu and Kerala the corporations can advance up to Rs. 2.0 lakh and Rs. 1.0 lakh respectively under the State Aid

1- Reserve Bank of India Bulletin Aug. 1971.

to Industries Act. The U.P.F.C. disburses loans from Rs. 5000 to Rs. 1,00,000 as an agent to the state government. This can be resolved if SFCs begin to provide loans above Rs. 50,000 out of their corporation funds so that such loans can be secured against possible losses under automatic guarantee cover by the Industrial Finance Corporation and refinance facilities can be obtained from the Industrial Development Bank of India.

To be more specific about the success of these corporation I can quote the case of the U.P. State Financial Corporation.

ROLE OF U.P. STATE FINANCIAL CORPORATION:

The Uttar Pradesh Financial Corporation was established in November, 1954, under the State Financial Corporations Act 1951 with its headquarter at Kanpur. The authorised capital of the corporation is Rs. 3.0 crores divided into 30 lakh shares. Shares of Rs. 1,65,000.00 are issued as fully paid up. It is empowered to sanction financial assistance to industrial concerns operating in the state for acquisition of fixed assets to establish new units and/or for renovation, expansion and modernisation of existing plants and machines irrespective of the fact

whether the industrial concerns are organised as public limited companies, cooperative societies, private limited companies, partnership, sole proprietorship units engaged or to be engaged in the manufacture of goods, preservation, processing, mining, generation or distribution of electricity or any other firm of power, hotel industry, transport by road and water and industrial estates. Generally, the corporation does not grant loans for working capital. In deserving cases it may consider loan applications to meet a part of margin money for availing of short term working requirements from banks. It can grant loans for a maximum period of 20 years. Again, it extends medium term loans and the period of repayment varies from 7 to 12 years depending upon the viability of the project. But if the project is located in backward area of the state the period of repayment may be extended from 12 to 15 years. The corporation does not accept non industrial assets as security, as a policy measure, but can finance a project against a cash contribution of entrepreneurs towards block assets in the project. However, in exceptional cases, non industrial assets can also be accepted as collateral security.

The corporation now operates three schemes, such as -

1. Liberalised loans scheme.
2. Ordinary loans scheme
3. Power - Loom loans scheme.

LIBERALISED LOAN SCHEME:

Under the liberalised loan scheme the corporation acts as an agent of the state government for the disposal of loans. It operates on the same terms and conditions as the eligibility for submission of applications, purpose of the loan and the rate of security etc. etc. Under this scheme preference is given to export oriented, defence production and agro based small scale industries.

Under the scheme the corporation extends loan above Rs. 25,000 but not exceeding Rs. 1,00,000. On outstanding amounts the corporation charges interest at the rate of 6 per cent per annum for loans upto Rs. 50,000 and 7 per cent for loans exceeding Rs. 50,000 with a rebate of 1 per cent per annum for prompt payment of instalment. The re-payment of loans is spread over 10 instalments payable annually. The period of repayment may be extended to 15 years, if the project is set up in backward areas.

ORDINARY LOAN SCHEME:

Prior to 1970 this scheme was operated by the Directorate of Industries which used to grant loans to small scale units to the extent of Rs. 5,000 only.

After 1970 this scheme is run by the U.P. Finance Corporation which has revised the limits of loans from Rs. 5000 to Rs. 25,000. Generally these loans are granted to small entrepreneurs for acquiring fixed assets like land and building, plant and machinery, fixtures and fittings, tools and equipments etc. In some special cases they can be utilised for meeting working capital requirements but only upto 33 per cent of the amount of the total loan.

POWER LOOM-LOANS-

These loans are advanced for the modernisation of power loom and hand loom industry in the state. The rate of interest on these loans is used to be very nominal. The repayment of loans is effected through easy instalment.

PERFORMANCE OF THE CORPORATION:

A few year ago the margin on advances was kept about 25 per cent to 50 per cent and the security aspect was more in view but now the same has been relaxed. The margin of security is reduced to 10 to 20 per cent. Further more, in case of technical entrepreneurs the margin has been reduced to 10 per cent, if the amount of loan does not exceed Rs. 5 lakh. The repayment of loan has been linked up with the viability of the project.

During the year 1970-71 corporation sanctioned 644 loan applications of Rs. 450 lakh and it disbursed Rs. 148.5 lakh in 193 cases. During the year 1970-71 under the agency loan scheme 836 applications for Rs. 357.60 lakh were processed out of this effective sanctions amounted to Rs. 197.6 lakh during the year in 538 cases with a disbursement figure of Rs. 95.5 lakh in 135 cases. Till December 1971, the corporation sanctioned 533 applications for Rs. 525 lakh and disbursed Rs. 54 lakh only.

The following table indicates the position of loans sanctioned and their disbursements by the corporation.

TABLE NO. VI

LOAN SANCTIONED AND DISBURSED BY THE U.P. STATE FINANCIAL CORPORATION

Rs. Crores.			
Year	Amount Sanctioned	Amount Disbursed	% of Amount Disbursed to Amount sanctioned.
1968-69	41.63	17.42	41.84
1969-70	56.50	21.50	38.05
1970-71	81.30	32.65	40.60
April 1971 to Sept. 1971	74.90	14.30	19.09

SOURCE: The Economic Times, Bombay, April 11, 1972, Table compiled from the article "The Role of Finance Corporation" by Asthana, P. General Manager, U.P. State Financial Corporation, Kanpur.

The table given above indicates that Rs. 17.42 crores which represent 41.84 per cent of total amount of loans sanctioned were disbursed during 1968-69. The percentage of loans disbursed went on decreasing and during 19th April 1971 to September 1971 it stood only 19.09 per cent i.e. Rs. 14.30 crores against Rs. 74.90 crores as was sanctioned. It was due to some drawbacks like procedural, in-correct assumptions at the time of submitting project with loan application and the delay in commissioning of the project due to factors beyond the control of the borrowers.

For avoiding such a state of affairs the corporation should set up a study group consisting of its officers, representatives of I.D.B.I. and I.F.C., chambers of small industries associations, and some enthusiastic small industrialists including technical entrepreneurs. In order to liberalise loan policy for small sector it should accept equitable mortgage in stead of a registered mortgage of fixed assets as security for loans. The security of title deeds and valuation of assets should be finalised as soon as the application is scrutinised.

For establishing contacts with small industrialists spread all over the state it is necessary that the corporation should not be overburdened. It should exclusively look after the financial needs of small enterprises. At present, the corporation has only seven branches functioning in big industrial towns like Agra, Bareilly, Ghaziabad, Gorakhpur, Jhansi, Nainital and Varanasi. For giving added impetus to small sector in the state it may be proposed that more branches should be set up in promising centres because some state finance corporations like Maharashtra, Gujrat, Mysore etc. have recently opened several branches and their total assistance sanctioned by the new branches has been encouraging.

The general level of industrialisation of the state depends upon the adequate finances and sound management in small, medium, and large scale sectors. The small scale sector has comparatively few sources of finances as compared with other sectors. The infrastructural facilities and fiscal incentives by the state government would go a long way to create favourable industrial environment and develop entrepreneurial talent. Therefore, for the survival of small enterprises, the state government should come forward to provide infrastructure through the State Financial Corporation, State Small Industries Development Corporation, The State Directorate of Industries etc. etc.

II. STATE BANK OF INDIA

In the organised Banking sector, the State Bank is a single largest commercial bank in the country which extends valuable support to small units in different ways. Being a nationalised bank, it is, therefore, expected to follow the policies of granting loans on liberal terms to neglected sector of the Indian economy.

The State Bank's assistance schemes are formulated for two purposes :-

- (1). Provision for coordinated finance,¹ and
- (2). Liberalisation of terms and conditions for advancing loans.

For seeking financial accommodation under these schemes a small unit is required to apply and contact to the local agent of the State Bank or a cooperative bank for all its requirements. The application is scrutinised by the working group. Long term and the short term credit needs of the applicant are taken care of by the concerned financial institutions. Thus, the supply of credit is coordinated.

Under the liberalised scheme, the bank has liberal terms of credit

1. The coordinated scheme is operated through working groups consisting of representatives of the State Bank the directors of industries and small scale industries service institute.

In this scheme the Bank follows liberal methods in respect of security, the margin, the rate of interest, period of loan, minimum and maximum limits of loan etc.

For cheap and adequate credit from various sources to small sector, it is necessary to coordinate all the sources, besides increasing to the utmost of the facilities available from each source. Different institutions provide different types of credit to this sector. They can be complimentary to each other, in meeting the requirements of borrowers, if the State Bank makes efforts to coordinate them. It can meet the demand for working capital in the form of short term loans. It is, therefore, needed that different types of credit should be integrated into a well organised system and various agencies dealing in such credit made easily accessible to the borrower. To achieve this objective, the State Bank has launched a Pilot scheme^I by way of experiment. Under this scheme an applicant may apply to one agency for all types of its credit needs. Since various agencies participate in the Pilot scheme, loan applications are considered by them jointly. Loans are sanctioned by appropriate agency, either by itself or in collaboration with others when the borrower needs more than one type of credit.

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- I. The aim of the pilot scheme is the joint action by different institutions to meet the financial and other needs of small scale units. To coordinate the working of different agencies which are associated with the Pilot scheme. These bodies include the local working party, the local coordination committee, and the Central coordination committee.

Under the Pilot Scheme, the State Bank has adopted a liberal loan policy in order to extend more facilities to borrowers. When the scheme first came into being in April, 1956, the rules of granting loans were very hard and rigid. But just after its operation it was felt that the scheme could ^{be} made more effective, if the different agencies involved offer their assistance free through a liberal loan policy. The bank extended the scheme to all its branches in 1959 with a view to help the substantial number of small units. Under this scheme the Bank considers such applicant on his individual merits. If it applies its original principles to all cases alike none of the applicants can satisfy the bank. Since 1955, the bank has rendered many valuable services to small industrialists. Its relative position of credit supply to small industrial sector can be seen in the following table. No. VII.

From the table no. VII, it is clear that the State Bank of India and its subsidiaries are playing a significant role in the development of small scale industrial sector. The data given above indicates that State Bank of India group has been providing substantially an increasing amount of credit every year to this neglected sector of the economy. During 1965, the group

TABLE NO. VII
SMALL SCALE UNITS FINANCED BY THE STATE BANK
OF INDIA AND ITS SUBSIDIARIES
SINCE 1965

Year	Amount in Lakhs Rupees	% based on 1965	% Increase since 1965
1965	3,136 (-)	100.0	00.0
1966	3,877 (741)	123.6	23.6
1967	6,341 (2,464)	202.2	102.2
1968	8,242 (1,901)	262.8	162.8
1969	13,531 (5,289)	431.5	331.5
1970	27,691 (14,160)	883.0	783.0
1971	33,130 (5,439)	1,056.4	956.4
1972	36,096 (2,966)	1,151.0	1,051.0

Note : - Figures in brackets indicate the variation over the previous year.

- SOURCE:-
1. Records and Statistics, Quarterly Bulletin of Eastern Economist, New Delhi, Feb. 1970, Vol. 21, No. 2 P. 112.
 2. The Economic Times, Bombay, Nov. 7, 1971.
 3. Reserve Bank of India Bulletin, Bombay, Jan. 1973 P. 150.
 4. The State Bank of India, Monthly Review, Feb. 1973, P. 51.
 5. Development Commissioner, Small Scale Industry, 25 years of progress, Govt. of India, 1973, P. 44.

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extended finance to small units to the tune of Rs.3,136 lakh which reached to Rs. 33,130 lakh in 1971 i.e. 956.4 per cent more than the finances of 1965. This figure further went up to Rs. 36,096 lakh in 1972 which witnessed an increase of about 1,051 per cent against the figure of 1965. This shows that the finances supplied by the State Bank of India and its subsidiaries have increased by ten times since 1965.

The position of amount of loans sanctioned and the balance outstanding with small scale entrepreneurs is further examined in the table no. VIII.

TABLE NO. VIII

ADVANCES BY THE STATE BANK OF INDIA AND ITS SUBSIDIARY
BANKS TO SMALL SCALE
INDUSTRIES

(Rs. Million)				
Year	No. of Units	Amount Sanctioned	Amount Outstanding	% of Col. 4 to Col. 3
1	2	3	4	5
1962	3,425	140.8	65.2	46.3
1963	4,026	189.9	93.0	48.9
1964	5,279	271.3	128.3	47.3
1965	8,085	453.7	220.2	48.9
1966	10,160	566.1	310.4	54.8
1967	15,578	928.3	489.5	52.9
1968	18,801	1,190.5	636.5	53.5
1969	23,614	1,785.6	921.3	51.6
1970	36,935	2,769.1	1,522.3	54.9
1971	48,731	3,204.0	1,970.0	61.5
1972	54,509	3,430.0	2,268.0	66.1

SOURCE: Development Commissioner, Small Scale Industries, Govt. of India, Small Scale Industry, 25 years of Progress, 1973, P. 44.

The above table clearly indicates that the State Bank of India group during the last decade advanced a substantial amount of its total advances to small scale sector. Its advances have always been increasing since 1962. The table reveals that the State Bank of India and its subsidiaries, during 1962, sanctioned total credit of the order of Rs. 140.8 million to 3,425 parties with the easing of the policies of the State Bank for Small Scale Sector, during 1972, 54,509 small units were sanctioned Rs. 3,430.0 million. The table further indicates that the balance outstanding with small entrepreneurs during 1962 stood at Rs. 65.2 million which represented about 46.3 per cent of the total amount sanctioned. This figure increased to Rs. 2268.0 million representing about 66.1 per cent of the total advances at the end of March 1972.

In addition to short term credit, the bank is also providing long term loans to small entrepreneurs. Since 1963, the bank is operating a scheme to supply machinery under instalment system to small industrialists. Under this scheme a borrower is required to make a cash payment of 20 per cent to 25 per cent of the cost of equipment at the time of delivery and the balance in simple instalments spread over a period of five to seven years. The rate of interest charged is approximately 9 per cent on outstanding balance.^I

I. Supplement to the Reserve Bank of India Bulletin Aug. 1971.

From the foregoing discussion, it is clear that since its establishment, the State Bank's credit facilities to small sector have increased tremendously through various schemes.¹ Although the activities of the State Bank of India and its subsidiaries are increasing tremendously but its achievements are left much to be achieved. As it has been pointed out in the Second Chapter in table no. V that during 1972 the total number of small units stood at 2,82,000 while the number of units financed by the Bank stood at 54510 which accounted for about 20 per cent of total units. Therefore, it may safely be suggested that the Bank should further expand its activities.

III. THE NATIONAL SMALL INDUSTRIES CORPORATION

The National Small Industries Corporation was established as a central government undertaking on the recommendations of the Ford Foundation in February 1955. The main aim of the corporation is not only to provide financial assistance but it stands for all types of help for small industrial development. The corporation's activities include:

- I. (a) Loan for the purchase of raw materials, (b) cash credit account i.e. payment of advance against pledge of raw materials (c) overdraft facilities against raw materials, (d) advances against govt. bills (e) opening of letter of credit on behalf of the clients to pay to the supplier from whom raw material is purchased (f) Bank guarantee to the suppliers of raw materials. Under new schemes, loans and advances are granted to eligible applicants for setting up projects in industrial estates as well as for running of units.

- (1). assisting small industrialists in obtaining both imported and indigenous machinery on hire purchase basis.
- (2). development of new markets for the product of small units. Suggesting entrepreneurs about where, how and what type of goods should be produced and supplied.
- (3). providing working facilities in a better way through the construction of pilot industrial estates.
- (4). allocating government contracts to small scale units, and
- (5). supply raw materials and providing central storage facilities for them.

Among all its schemes, the corporation is functioning well in the field of providing machines on hire purchase basis. This scheme was introduced in 1956. It bears an advantage of granting loans in kind. The entrepreneurs have further advantages of returning the machines, if prove unsuccessful, during the tenure of the agreement.^I Machines to be delivered on hire purchase basis are bought by the corporation. It manages for foreign exchange and import

I. Small Scale Industries in India, Development Commissioner S.S.S.I. 1968 P. 79.

licences where ever necessary, goes through various processes - with the obtaining of licences and making arrangements for clearing and forwarding. Thus, hire purchaser is escaped himself from blocking his capital in fixed assets.^I

A small scale unit may demand the corporation for the supply of machines on hire purchase basis. For obtaining machines, application is made on the prescribed form supplied by the corporation or through the directorates of industries. The Director of Industries of the State forwards the application to the head office of the corporation with his own recommendations and comments. All applications are placed before two committees comprising of the representatives of the Chief Controller of Imports, Development Commissioner of Small Industries, and other concerned departments. The decision is conveyed to applicant. It is open for a party whose case is rejected to get his application reviewed by a high power committee called as reviewing committee.

I. Small Scale Industries in India, Development Commissioner; Small Scale Industries 1968 P. 79.

When applications are granted, instructions are issued to suppliers to despatch the consignment to the hirer and forward the railway receipt to the regional office of the corporation. After having satisfied itself about all the pre-requisites, the regional office releases Railway Receipt to hirer for taking the delivery of machine. In case of imported machines, the procedure is slightly different. In this case a hirer is asked to complete the hire purchase formalities after the corporation has received the shipping documents. As soon as the formalities are completed the corporation forwards the shipping documents to the clearing agent to get the consignment cleared from custom authorities and despatch it to the hirer.^I

The procedure of payment is that a hire purchaser is required to pay 20 per cent of the value of the machinery to the corporation as earnest money

I. Small Scale Industries in India, Development Commissioner. Small Scale Industries, 1968, P. 80.

in advance.¹ The balance is paid in instalments spread over a period of seven years in case of graded and imported machines and five years in case of ungraded machines and equipments. The balance is subject to an interest of 7 per cent per annum.² Over and above this interest a uniform administrative charge at 6 per cent is payable on the gross value of machines and its recovery by the corporation is made during the instalments period.³ Clearing charges in the case of imported machines are charged at the rate of 3.5 per cent on C.I.F. price.⁴

During the last ten years, small units obtained a sizeable loans from the corporation. Under hire purchase scheme the corporation has supplied nearly 15,716 machine upto 1968-69. The position of machines supplied by the corporation since 1961 to 1970 can be seen in the following table:

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1. 30 per cent in the case of industrial furnaces.
 2. Jain, Shikar Chand and Others, Small scale Industry, A Guide And Reference Hand Book, 1971 P. 38-39.
 3. Ibid.
 4. Ibid.

TABLE NO. IX

COMPARATIVE POSITION OF MACHINES SUPPLIED BY THE NATIONAL SMALL INDUSTRIES CORPORATION AND THE STATE FINANCIAL CORPORATIONS LOANS OUTSTANDING WITH THE SMALL SCALE UNITS SINCE 1961-70.

(Rs. Crores).

Year at end of March	National Small Ind. Corporation Machinery supplied on hire purchase basis			State Financial Corporations Total loans outstanding		
	No. of Mach. supp.	Value of Mach.	% of value of mach. based 1961.	Percentage Increase	No. of S.F.Cs. loans outstanding based on 1961.	Percentage Increase
1961	N.A.	1.79	100.00	00.00	15	17.10
1962	1408	2.17	121.23	21.23	15	23.20
1963	2755	3.14	175.42	75.42	15	31.80
1964	3060	5.40	301.57	201.67	15	40.20
1965	2470	3.55	198.32	98.32	15	48.50
1966	1646	2.58	144.13	44.13	15	59.00
1967	1311	2.80	156.42	56.42	15	71.00
1968	1242	3.30	184.36	84.36	18	80.00
1969	1824	3.90	217.88	117.88	18	91.30
1970	N.A.	N.A.	00	00	18	104.00
						608.19
						508.19

N.A. Not available.

SOURCE: Report on currency and Finance R.B.I. Bulletin. However, figures for number of machines supplied to small scale units are taken from the Hindustan Times Jan. 24, 1970.

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The table No. IX indicates that the corporation has been playing a vital role in supplying machines to small units since the introduction of the scheme. The amount of loans under this scheme decreased in 1965 and 1966 due to the shortage of foreign exchange at the disposal of the corporation. But in 1967 the position was improved to some extent. During the same year machines worth Rs. 2.80 crores were supplied which were 56.42 per cent higher than the value of 1961. During the given ten years period the corporation supplied through hire purchase system machines with an average of about Rs. 3.18 crores a year.

The table further indicates that loans by the National Small Industries Corporation under hire purchase scheme got a diminishing trend while outstanding loans of state financial corporations went on increasing. Outstanding loans by S.F.C.'s with small units were with an average of Rs. 56.61 crores each year during the given ten year period. The highest amount of outstanding loans was in 1970 at Rs. 104 crores.

The hire purchase scheme has achieved a significant success. At the time when the scheme was taken up, the growth of small units was concentrated only around the metropolitan and big cities. As such,

it is quite natural that a major portion of hire purchase facilities has been availed by small units located in or around the metropolises. However, continued efforts are being made to disperse the hire purchase facilities to less developed areas. Towards this objective, the intensive campaign launched by the corporation is a successful step.

IV. ASSISTANCE BY STATE SMALL INDUSTRIES CORPORATIONS

During the last fifteen years small industries corporations have been set up in all states on the recommendations of the Small Scale Industries Board. One of the main functions of these corporations are to supply machinery mainly indigenous on hire purchase basis to small units falling under their respective jurisdiction. From their working, it may be noted that these corporations are providing a number of services to small scale units. The U.P. Small industries corporation supplied machinery worth Rs. 1.81 million to 78 parties since the inception of scheme in 1965 till March, 1967. The corporation supplied machinery worth Rs. 85 lakhs to 225 parties during 1971-72.¹ The Gujarat Small

1- The Indian Express May, 4, 1972.

Industries corporation during the period from 1963 to 1966 supplied machinery of the value of Rs. 1.67 million. The Maharashtra State Small industries corporation during 1966-67 accepted applications of about 100 units for the hire purchase of 220 machines valued at Rs. 1.18 million while the machines actually delivered during the same year were 119 with a value of Rs. 0.21 million to 76 units. In Kerala, when the State small industries corporation taken up the scheme it could deliver machines valued Rs. 150 thousand till the end of March, 1967. In Orissa only six applications for machines worth Rs. 138 thousand were received during 1966-67 and not even a single machine was delivered till the end of that year.

In this connection a remarkable success has been achieved by all the State Small Industries Corporations but still more efforts are needed. In some State these corporations are yet to take the scheme.

V. COMMERCIAL BANKS' CREDIT TO SMALL UNITS

Among the institutional sources, commercial banks have unique place in financing small units. To assess the performance of these banks, Reserve Bank used to conduct surveys of advances by scheduled and

non-scheduled banks. The basis of credit of these banks is movable and immovable properties. They usually prefer movable property for mortgage. Of the various forms of security furnished, goods and raw materials seem to be least popular with banks. On the other hand, stock in trade, documentary bills and government securities, shares and bonds are more acceptable to Banks.¹

In the past the commercial banks were more hesitant to finance private sector than other ventures. They generally felt that their resources were fully committed to industry and commerce sectors and considered the extension of their credit activities for small units as risky. During 1963-68 which called as an era of social control it was realised that along with other countries India has a dual economy e.g. traditional and modern or non-traditional.² There is a wide gap between the two sectors without any bridge to connect. The process of economic planning necessitated the conversion of dual economy into a single and well integrated economy. During the period of social control advancing of loans to small scale sector was considered as priority object.

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1. Krishna, Ram, K.T., Finances for Small Scale Industry in India, Asia Publishing House, 1962 P. 47.
 2. Traditional economy consists of agriculture, small industries, retail trade and animal transport. On the other hand non-traditional sector is consisting of heavy industries banks, foreign trade, large domestic trade and mechanical transport.

After social control, in 1969, the nationalisation of 14 major commercial banks gave added impetus to bank lending for small scale industrial sector. With the nationalisation, the commercial banks diverted their funds to priority sectors on easier terms. Upto June 1969, the total credit by all commercial banks to small scale sector stood at 8.17 per cent of their total credit. Just after the nationalisation of banks, it increased by about 2.4 per cent. The total banks credit to small units stood at 10.58 per cent at the end of Dec. 1969.^I

The table no. X given below shows the position of credit advanced by the scheduled commercial banks to small scale industries in the country.

TABLE NO. X

SCHEDULED COMMERCIAL BANKS ADVANCES TO SMALL SCALE INDUSTRIES

As on the last Friday of June 1972^I

(Amount in lakhs of Rs.)

Bank Group	No. of Units	No. of Accounts	Limits Sanctioned	% To Total	Balance Outstanding.	% To Total
I State Bank of India and its subsidiaries	55,674	77,313	34,764	36.5	23,139	38.8
II 14 Nationalised Banks	60,372	84,898	49,994	52.4	29,574	49.5
III Other Scheduled Commercial Banks	9,197	13,702	10,611	11.1	6,987	11.7
Total I+II+III	125,243	175,913	95,369	100	59,700	100

I- Provisional

Source: Reserve Bank of India Bulletin, Bombay June 1973, Table No. 48 P. 150.

I- Quarterly Economic Report of the Indian Institute of Public Opinion, 67, Vol. XVII January - March 1971 P. 31.

The table placed above highlights that the scheduled Commercial banks sanctioned loans worth Rs. 953.69 crores to 1,25,243 units spread over 1,75,913 accounts. Out of this amount the State Bank of India and its subsidiaries accounted for 36.5 per cent. They sanctioned Rs. 347.64 crores to 55,674 units. The nationalised 14 commercial banks share stood at 52.4 per cent of the total limit sanctioned. Other scheduled commercial banks' share was 11.1 per cent. These banks advanced Rs. 106.11 crores to 9,197 units under 13,702 accounts.

Out of the total amount sanctioned Rs. 597.0 crores were outstanding at the end of June 1973. In this amount the State Bank of India's share was of the order of 38.8 per cent i.e. Rs. 231.39 crores. The nationalised and other scheduled commercial banks represented about 49.5 per cent and 11.7 per cent with the actual amount of Rs. 295.74 crores and Rs. 69.87 respectively. This shows that since the nationalisation of major commercial banks of the country the small scale sector has been given more attention than ever before.

Thus, it can be noted that general trend in small scale industries as a whole and trend in individual industries alike seem to be encouraging. Although the trend of commercial banks credit reveals an increase in amount but it is estimated that share of credit out of total advances is still not very satisfactory. Commercial banks under present circumstances are paying attention for the development of neglected sectors of Indian economy. The relative position of loans by the public sector banks to neglected sectors, is given in the table as under.

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TABLE NO. XI

ADVANCES BY THE PUBLIC SECTOR BANKS TO AGRICULTURE AND OTHER
HITHER TO NEGLECTED SECTORS

(Amount in Crores of Rs.)

Sector	June 1969 Amount % To Advances Total	June 1970 Amount % To Advances Total	June 1971 Amount % To Advances Total	June 1972 Amount % To Advances Total
I- Agriculture (excluding Plantation)				
(a) Direct Finances	38.02 1.26	153.45 4.27	197.40 4.84	221.13 4.87
(b) Indirect Finances	122.32 4.05	139.08 3.87	132.71 3.25	158.83 3.49
II- Small Industries	251.46 8.34	369.89 10.30	442.20 10.84	523.41 11.51
III- Road Transport operators	6.69 0.22	24.74 0.69	40.03 0.98	50.10 1.10
IV- Retail Trade And Small Business	19.22 0.64	64.87 1.81	71.95 1.76	79.22 1.74
V- Professionals and Self-Employed Persons	0.33 0.01	6.75 0.19	8.58 0.21	12.11. 0.27
VI- Education	0.46 0.02	2.07 0.06	3.70 0.09	2.91 0.06
Total I + VI	438.50 14.54	760.85 21.19	886.57 21.97	1047.71 23.04
Total Advances	3016.76 100.00	3577.60 100.00	4076.76 100.00	4546.20 100.00

SOURCE:- 1. Economic survey 1971.

2. Quarterly Economic report of the Indian Institute of Public Opinion, 67, Vol. XVII
No. 3, January - March 1971 Table No. VIII.

3. Records and Statistics - Quarterly Bulletin of Eastern Economist, New Delhi, Vol.
24, No. 2 February, 1973, P. 109.

The table no. XI indicates that the public sector banks during 1969 advanced credit to neglected sectors to the tune of Rs. 438.50 crores representing about 14.5 per cent of their total advances. Out of this amount, small industries could get Rs. 251.46 crores i.e. 5.34 per cent. Just after the nationalisation, at the end of June 1970 advances to these sector increased to Rs. 760.85 crores, about 21.19 per cent of total loans. The share of small units also increased to 10.30 per cent. Since July 1969, the advances of public sector banks to priority sectors have been steadily heading upward. At the end of June 1972 these banks advanced Rs. 1047.71 crores representing about 23.04 per cent of their advances to these sectors and the small entrepreneurs' share in these advances stood at Rs. 523.41 crores i.e. 11.51 per cent. The table further indicates that small industrial sector gets top priority among the neglected sectors in the matters of bank finances.

After the nationalisation, all the commercial banks, although, are paying added attention to liberalise their credit policy for small scale and other neglected sectors, but still small units are not supported by the banks in accordance of their contribution to the national economy. In order to remove mal-practice for the betterment of small scale industrial the following measures may be adopted by the banks.

(1). For assessing the credit needs of small entrepreneurs, the one bank for the customer policy should be adopted. Under this scheme a particular bank should be allowed to meet all the financial requirements of a customer and a small entrepreneur need not to approach different banks. This will reduce the burden of the bank and as such they could formulate project oriented policies and pay attention on the proper utilisation of their advances.

(2). Each nationalised bank should conduct a survey of potential small entrepreneurs within its area of operation to evaluate the existing small scale units as potential clients. It may also serve the banks various necessary informations about credit needs of an industrial unit.

(3). For financing small scale units, banks should follow an integrated approach and for attaining maximum utilisation of advances to this sector they should seek cooperation of various agencies like the National Small Industries Corporation, the State Small Industries Corporations, and the State Financial Corporations.

(4). So far as possible, it would be better for all nationalised and other scheduled commercial banks to have a special cell within their organisation to look after the advances to small scale units. These banks

should have small industry oriented officers in these cells who should be given exclusive charge of financing small scale industries so that if at any time there is any malpractice in the line that may easily be picked up.

(5). To eliminate overlapping and duplication of efforts among commercial banks in general and nationalised banks in particular, it is desirable to set up a coordinating machinery at state level to supervise and suggest on the scheme of financing small scale industry. If this machinery is set up the banks will be able to reach directly at the target easily.

(6). In order to promote small industrial sector, the banks should try not to confine their efforts to finance only existing units. They should also encourage new and hesitant entrepreneurs to set up small industries in areas where the capacities are far from saturation. To achieve this objective it would be necessary for banks to open branches in backward areas which are potential for growth.

(7). The nationalised banks are required to relax their policies further so that more and more small entrepreneurs may come under the scope of their services.

For the steady development of small scale industrial sector, the above measures, if adopted, may prove successful. For the better operation of these measures, a change in the basic attitude, outlook, and approach of managerial personnel of banks specially at branch level is required. The approach of the banking personnel should be such which can create confidence among small entrepreneurs that they are going to have credit assistance from the banks in future. The Standing Committee of the Small Industries Board emphasised, for re-orienting the present inhibitive inspection policy of banks to make it more helpful and growth biased. The committee recommended, "conventional credit worthiness to be located in personal factors, such as personal integrity, managerial ability, and repayment possibilities."

".....commercial banks should be largely freed from their traditional bias so as to be able to give loans liberally in accordance with the national policies or objectives as well as priorities.^I

Although, the Committee has given the measures of potential credit worthiness. But in actual practice it is very difficult to determine this worthiness of a small

I. Report of the Standing Committee of S.S.I. Board reproduced by the Hindustan Times, Monday, Jan. 19, 1970.

scale unit. Actually, what is desired is the effective use of credit and an efficient machinery for adequate supervision and follow-up must be devoid.

VI. THE COOPERATIVE BANKS:

In the present economic development, industrial cooperatives have their own place. They are playing a vital ^{the} role in/development of all industries in general and small industries in particular. A notable success, industrial cooperatives have achieved in the small sector, is the systematic development and success of industrial estates organised on cooperative basis. For the expansion and the promotion of such industrial estates, the Life Insurance Corporation offers 60 per cent of the estimated cost of an estate as loans against state government guarantee. According to the data available, till the end of April, 1966 a sum of Rs. 74.14 lakhs has been sanctioned to 19 cooperative industrial estates in Maharashtra, Gujrat, and Andhra Pradesh.^I

The Cooperatives are enabling the small entrepreneurs to utilise financial assistance from government, semi-government and other financial institutions. They also prepare small industrialists to get guidance from technical service institutes, training centres and mobile

I. Sanjivayya, D., Labour Problems and Industrial Development in India, 1970, P. 186.

workshops. So far as possible, industrial cooperatives are playing a significant role in financial matters of small industrialists.

Although, industrial cooperatives are working efficiently in financing small industries but still they are needed to modify their policies. "Credit cooperatives with the aim and purpose to provide credit for their members, operate largely in other fields such as agriculture. There are, however, to a limited extent, cooperative formed to serve small industries. If properly managed, they can make a good contribution to credit facilities and they have a wide field open to them. Specially for short term credit there is an expanding need for them even for small village industries."^I The cooperative banks have so far largely served agricultural credit, but they should expand their activity in the industrial field.

VII. GOVERNMENT AID THROUGH STATE AID TO INDUSTRIES ACT¹

In India, the each State government is advancing credit to small units under its State Aid to Industries Act or Rules. The loans may be of two types as (i) financial aid and (ii) non-financial aid. Financial loans are the

I. International Planning Team, The Ford Foundation
op...cit 1955 p. 40-41.

direct monetary aid to small producers. These loans are used for the purpose of meeting long term, short-term and medium term expenses. The main drawback of such loans is that they are mostly mis-used by small borrowers. Since they are advanced in cash, the borrowers some times use them for consumption purposes. Therefore, in such circumstances these loans are undesirable to be advanced.

Non-financial aid is an indirect method of helping small industrialists. This system prevents the funds from misuse. Under this system small producers are given financial aid in kind such as raw material, machinery, motive power, building, at lower cost, managerial and technical services, marketing assistance, and transport facilities. State governments render such assistance till small industrialists are not self-reliant for above facilities. It is as important as financial aid because it creates credit from other source. Indeed, non financial factors are pre-requisite not only for developing credit worthiness in small producers without which they cannot command credit in the money market, but also for enabling them to utilise the loans given by the State in various parts of the country, to a maximum advantage. In the absence of above facilities, small entrepreneurs often misuse the funds. These loans are given through various agencies like small scale industries service institutes, the state small industries corporations, the

State Financial Corporations, industrial estates,
Directorates of industries etc. etc.¹

The state governments are ^{playing} a significant role in extending credit facilities to small units, for it has been accepted in our five year plans and industrial policy resolution that steady development is possible only through small scale sector. "Village and small industries in their different aspects are an integral and continuing element both in the economic structure and in the scheme of national planning."² Therefore, "the government of India, as part of a positive policy to assist the promotion and development of small scale industries, have been providing financial assistance to the state government in the form of loans and grants for purposes of loans to small industries."³ Actual loans advanced by the Central and state governments are given in the following table:

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1. The terms on which loans are normally granted are: -
(a) Upto Rs. 1,000 on personal bond (b) Upto Rs. 5,000 against two personal surities (c) above Rs. 5,000 against security or mortgage at 75% of the security offered which may include land, building, machinery, equipment, stocks, and other assets.
 2. Second Five Year Plan, Govt. of India, 1956-62 P. 429.
 3. Iyengar, Kesava, S. Fifteen Years of Democratic Planning Vol. II 1965 P. 731.

TABLE NO. XII

LOANS BY THE GOVERNMENTS UNDER STATE AID TO INDUSTRIES ACT,
TO SMALL SCALE INDUSTRIAL SECTOR

(Amount in lakhs of Rupees)

State/Union Territories	(Amount in lakhs of Rupees)								
	Amount 1961-62	Spent 62-63	(Central 63-64	Plus 64-65	States 65-66	share)	III 66-67	67-68	IV Plan
	Actual	Actual	Actual	Actual	Actual	Actual (Antici- -pated)	(Proposed)	Outlays	
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	6.90	4.75	7.00	9.00 ^I	7.00	34.65	3.38	2.50	--
2. Assam	12.51	8.65	10.95	15.50 ^I	3.25	50.86	4.00	--	--
3. Bihar	20.56	6.94	13.58	16.05 ^I	15.00	72.13	25.09	47.00	250.00
4. Gujarat	24.59	4.21	1.85	3.30	4.45	38.40	4.81	4.00	--
5. Jammu and Kashmir	2.57	1.85	2.37	9.39 ^I	10.00	26.18	5.10	5.00	--
6. Kerala	32.74	21.64	21.00	15.30	13.26	103.94	20.30	34.70	--
7. M.P.	10.84	30.73	20.33	18.00	18.00	97.90	7.00	8.50	200.00
8. Madras	34.07	29.52	25.03	30.00	30.00	148.62	35.00	40.00	250.00
9. Maharashtra	1.27	6.68	14.68	25.50	25.00	73.13	15.80	21.00	175.00
10. Mysore	3.00	9.00	3.76	1.44 ^I	1.76	18.96	1.00	--	--
11. Orissa	4.95	2.94	4.50	4.40 ^I	5.00	21.59	2.50	10.00	42.50
12. Punjab	73.51	69.38	62.05	41.04	70.79	316.77	71.00	75.00	500.00
13. Haryana	-	-	-	-	-	-	14.80 (Estimated)	40.20	--
14. Rajasthan	17.11	12.00	8.28	6.02 ^I	18.03	61.44	2.75	18.50	--
15. U.P.	125.57	79.28	77.01	111.25 ^I	90.41	463.52	90.00	95.00	473.00
16. West Bengal	17.20	18.09	22.00	30.00 ^I	30.00	117.49	29.00	25.00	--
Total States	387.39	305.66	294.39	335.99	341.95	1,665.38	331.53	426.40	1,890.50
<u>Union Territories:</u>									
17. Himachal Pradesh	3.10	3.00	3.00 ^I	4.00	12.00	25.10	12.84	16.21	77.36
18. Delhi	11.00	12.00	10.00	10.00	12.00	55.00	17.00	20.00	--
19. Tripura	2.25	1.10	2.00	3.00	4.65	13.00	4.00	4.00	--
20. Andaman	-	-	0.40	0.25	0.75	1.40	0.62	1.00	10.00
Grand Total	403.74	321.76	309.79	353.24	371.35	1,759.88	365.99	467.61	1,977.86

1-Figures are provisional

SOURCE:- Development Commissioner Small Scale Industries Op...cit...1968, P. 75.

From the table given above it is clear that the assistance given during the third plan period was of the order of about Rs. 3.52 crores per annum with a total of about Rs. 17.60 crores. The U.P. government advanced the largest amount i.e. about Rs. 4.84 crores. Punjab, Madras, and West Bengal stood second, third and fourth respectively.

On these loans a nominal rate of interest of 2.5 per cent is charged on amounts upto Rs. 20 lakh, advanced to industrial cooperatives and 3 per cent for advances upto Rs. 25,000 to other parties.

The government assistance to small industrialists is useful, for, state agencies and entrepreneurs come in direct contact with each other. It may be more effective if government take help from the coordinating agencies like the National Small Industries Corporation, the National Small Industries Board, the State Small Industries Corporations, the Directorates of Industries and the Industrial estates. Now most of the state governments have began to advance loans through their small industries corporations. In this regard the following table highlights the position of loans advanced by the U.P. government under its State Aid to Industries Act/Rules since 1956-57.

TABLE NO. XIII

**POSITION OF LOANS ADVANCED BY THE U.P. STATE GOVERNMENT
THROUGH THE STATE FINANCIAL CORPORATION,
KANPUR**

Year	Amount (Rupees in Thousand)	Percentage Based on 1961-62	Percentage increase or decrease
1956-57 to 1960-61	201.49	-	-
1961-62	125.57	100.00	-
1962-63	79.28	63.20	- 36.80
1963-64	77.01	61.40	- 38.60
1964-65	111.25	88.60	- 11.40
1965-66	90.41	70.00	- 30.00
1966-67	90.00	72.70	27.30
1967-68	95.00	75.70	24.30
Fourth Plan Outlay	473.00	-	-

SOURCE: 1. Report on the Facilities for the Development of Small Scale Industries in U.P. by the Directorate of Industries, U.P. Kanpur 1969-70 P. XIV.
2. Small Scale Industries in India, Development Commissioner, 1968, P. 75.

The above table indicates that throughout the period from 1962-63 to 1967-68, the amount of loans to small scale sector have been more or less on an uniform increase except the year 1964-65 which shows a slight increase. If these amounts are compared with the amount of loans of 1961-62, there is a continuous decrease.

VIII. RESERVE BANK OF INDIA

The Reserve Bank of India, in addition to the State Bank, nationalised and scheduled commercial banks, is providing financial assistance to small scale sector through its various schemes like Credit Guarantee Scheme and Refinance Scheme. The credit guarantee scheme is drawn up in such a way that financial institutions advancing short-term loans to small units will be able to recoup a part of the loss, if any, from the Reserve Bank. This scheme is giving full incentive to commercial banks and the State Financial Corporations to advance loans to small units in a big way.

The Credit Guarantee Scheme was introduced in July, 1960. The main object of the scheme was to provide the security requirements on which credit to small units depends, where such requirements cannot be met by the borrowers themselves. Under this the Government of India guarantees loans granted by scheduled commercial banks to small sector, and when there are losses, they are borne by the Government.

At the time of the introduction of the scheme its operation was restricted to few selected centres.¹

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- I. Initially it was introduced in 22 selected districts only. From 1st August, 1966, 53 scheduled banks, the State Bank of India, and its subsidiaries, State Financial Corporations, 21 State Cooperative Banks, 8 non-scheduled banks and 358 Central Cooperative Banks have been included in this and now the number of eligible credit institutions stands at 453. These details have been taken from Small Scale Industry, A Guide and Reference Hand Book, 1971, P.36.

But as soon as the need was felt to promote small sector, the scheme was extended to the entire country. To widen the scope of the scheme, banks other than those selected may also enjoy guarantee facilities if an apex cooperative bank is prepared to participate in the loan at least 25 per cent. Although loans given after the scheme came into the operation are eligible for guarantee if loans given prior to that date are renewed or may also be guaranteed. In the early days, the rate of interest was lower than the present rate. The procedure followed was also quick and simple.

The scheme was modified in February, 1970. The main aim of the Guarantee scheme as modified is to introduce an element of quickness in the guarantee cover available to guarantee institutions. The present form of scheme bears larger risks than previous one. To satisfy itself about the vigilance and care taken by the credit institutions in advancing loans to small entrepreneurs. For making this scheme more effective the Reserve Bank has introduced a programme of test checks of quarterly statements by deputing its officers to the branches of banks. According to the Reserve Bank during first year of the operation of the modified scheme, 5 per cent of the reporting branches were selected for test checks. The following table depicts the actual working of the scheme: -

Table No. XIV

CREDIT GUARANTEES SCHEMES FOR SMALL SCALE INDUSTRIES

Guarantees outstanding, net fees collected, advances in defaults,
claims paid and net surplus accrued to the Central Government (Revised).

(Amount in lakhs of Rupees)

As at end of year	Guarantees outstanding		Net amount of comm. collected cumulative		Advances under defaults		Claims paid on account of invocation of guarantee (cumulative)		Net surplus accrued to Govt. as at the end of June, Dec. 'A'	
	No.	Amount	Amount	No.	Amount	No.	Amount	Amount		
	1	2	3	4	5	6	7	8	9	
1960-61	506	175	-	-	-	-	-	-	-	
1965-66	12,816	4,970	24	54	16	66	9	18		
1966-67	16,924	6,306	38	125	30	76	10	34		
1967-68	24,935	11,107	66	178	36	89	11	60		
1968-69	42,438	20,905	99	287	79	128	15	90		
1969-70	92,755	61,871	137	407	123	154	20	123		
1970-71	-	74,884	184	1,799	589 ^P	190	25	168		
1971-72	-	86,367	263	4,082	1,352 ^P	258	36	237		
1972-73	-	1,03,633	349	6,538	1,905 ^P	406	60	310		
March 1971	-	86,367	263	4,082	1,352	258	36	237		
June 1972	-	91,333	297	4,552	1,433	281	43	262		
Sept. 1972	-	93,077	297	4,942	1,604	325	49	262		
Dec. 1972	-	98,186	349	5,491	1,769	369	53	310		
March 1973	-	1,03,633	349	6,538	1,905	406	60	310		

P. = Provision, A = The figures for March/Sept. in col. 3 represent the position of previous half year.

- SOURCE:
1. Reserve Bank of India Bulletin, Bombay Dec. 1971 P. 2069.
 2. Report on the Currency and Finance, Reserve Bank of India 1970-71, P. 80.
 3. Reserve Bank of India Bulletin, Bombay June, 1973, Table No. 51, P. 1098.

From the table no. XIV given above it may be analysed that amount outstanding under the credit guarantee scheme stood at Rs. 175 lakhs at the end of 1960-61. By the end of 1965-66 this amount increased to Rs. 4970 lakhs, which witnessed an increment of Rs. 4795 lakhs from 1960-61 to 1965-66 with an average of Rs. 959 lakhs per annum. The outstanding balance further went up to Rs. 61,871 at the end of 1969-70. By the end of 1972-73 the balance outstanding reached to Rs. 103633 lakh. At the end of March 1973, amount reported in default which might eventually lead to settlement of claims covered 6538 cases for Rs. 1905 lakhs as against 4082 cases for Rs. 1352 lakhs at the end of March 1972.

Under the present modified scheme the guarantee fees, in the case of all borrowers who are selected for loans would be borne by the lending bank, is one tenth of one per cent in the case of small units and one half of one per cent for other borrowers.

Now, it is to examine that to what extent these organisations are effective in supplying credit to small scale units. If their performance is viewed and analysed properly it is clear that on the whole these financial institutions are not performing their role to the required extent. Since the number of small units registered with

the Directorates of Industries has reached to nearly 3,20,000 and almost an equal number of unregistered units. But a very small number is getting financial assistance from these institutions which is far from the number to be considered satisfactory. The cause of this may be the ignorance of entrepreneurs about the working and modifications in the credit policies from time to time. To intimate entrepreneurs about sudden changes in the credit policies of various institutions the booklets, periodicals, and magazines, should be made available in all the regional languages in addition to English.

For making the working of these institutions effective it may be suggested that these institutions should streamline the procedures of extending credit to small units. To meet the demand of entrepreneurs in time, delays should be minimised. And the working should be made easy and the complaints of small entrepreneurs should be heard properly. To make the working effective certain changes in the organisational structure should be made. There should be a specialised department at head office level and trained and specialised personnel at operational level. There should also be delegation and decentralisation of power so that man concerned may take prompt action

at the spot. Since policy making is a joint product, therefore, there should be a proper coordination and cooperation between policy makers and operational personnel.

It would be important for all agencies and commercial banks in particular that they should have flexible and liberal approach, for, it may be difficult for small entrepreneurs to satisfy normal criteria for loans. The procedures should be simple and methods of assessing financial needs and value of security should be normal and uniform. The policies should not be target oriented alone but also need based and comprehensive.

The analytical study of this chapter highlights that the credit is a major in-put for the industry. Its importance is increasingly felt for small entrepreneurs with meagre financial resources. In the present context of spiralling prices of industrial raw materials, machinery, and other equipments etc. the credit needs of small manufacturers have gone up tremendously. To assist small industrialists on sound lines it is needed that the Government should come forward through the net work of financial institutions. With this end in view the government and the financial institutions have introduced a number of schemes to help small entrepreneurs on easy terms

Loans on liberal terms to small scale sector in India, are available through various organisations such as the State Financial Corporations, the State Bank of India and its subsidiary banks the N.S.I.C., the S.S.I.C., the nationalised and other scheduled commercial banks, government, cooperative banks, and the Reserve Bank of India.

The State Financial Corporations and the Cooperative banks provide medium and long term loans. The State Bank of India extends credit facilities to small manufacturers for meeting working requirements. A scheme of guaranteeing loans advanced by Commercial banks and the State Financial Corporations to Small scale sector has been introduced and operated by the Reserve Bank of India since July, 1960. The State Financial Corporations sanctioned Rs. 16,156 lakh, of which Rs. 8,287 lakh were outstanding at the end of Sept. 1972. The U.P. State Financial Corporation during the year 1970-71 sanctioned 644 loan applications of Rs. 450 lakh and disbursed Rs. 148 lakh in 193 cases. Till the end of Dec. 1971 the Corporation sanctioned 533 applications of Rs. 525 lakh and disbursed Rs. 54 lakh.

The State Bank and its subsidiary banks advanced Rs. 361.0 crores during 1971-72. The role of the S.B.I.C. is no less than other institutions in financing small scale sector. The Corporation has so far provided machinery valuing about Rs. 55.0 crores under its hire purchase scheme.

After social control the nationalisation of major scheduled commercial banks have added impetus to bank lending to small industrial sector. At the end of June 1972 the total credit limit advanced by all the commercial banks stood at Rs. 953.64 crores to 145264 units.

The Government and the Reserve Bank in addition to other financial institutions provide assistance through their various schemes. The Reserve Bank operates the Credit Guarantee and Refinance Schemes. Under the present modified scheme the guarantee fees in the case of all borrowers who are selected for loans would be borne by the lending agencies. It is 1/10 per cent in the case of small entrepreneurs and 1/2 per cent in all other cases.

Although methods and techniques of providing loans and other working facilities to small units have been liberalised but small entrepreneurs still face

many difficulties in seeking finances, raw materials, accommodation, machinery and other infrastructural facilities. There is left a wide gap between actual credit requirements and finances extended by institutional agencies. The author has estimated that the annual credit needs of small units would be of the order of Rs. 15,000 million to Rs. 20,000 million to make them viable units. If they are to function as the backbone of the Indian economy their financial needs should be adequate and revised from time to time in view of the continuous rising prices in and outside the country. To be more specific about the performance of this sector the subsequent chapter deals with the role of small industries and their financial needs and resources in Aligarh district.

CHAPTER V

FINANCIAL NEEDS AND RESOURCES OF SMALL INDUSTRIES IN ALIGARH DISTRICT - A CASE STUDY

In the preceding chapter the institutional sources of credit to small scale industries, in India, have been critically examined. It has been analysed that the financial organisations, though, have liberalised their attitude towards these industries but still their total requirements have not been met properly. There is left a wide gap between requirements and actual availability of credit. In order to make district plans industrially viable and convert them into reality it is, therefore, needed that the small entrepreneurs should be heard and looked after by the district planners and concerned authorities. In this context, financial needs and resources of small industries in Aligarh district is the subject matter of this chapter.

Aligarh apart from being a seat of education with M.U. as its temple of learning, is one of the industrial districts of western Uttar Pradesh. It is famous for its lock and building fitting materials industries. The industrial history of the district is

nearly a century old. It was in the 19th century that the Postal Department set up a laboratory shop with a view to repair old and worn out locks and postal seals. In fact, this was the beginning of industrialisation. Since then, a variety of industrial units have come up.

It is a well-known fact that Aligarh district is prominent for several industries. The environment, its location, soil, favourable climate, moderate rainfall during monsoon, and the nearness to Delhi have all contributed to its steady growth. It is honey combed with the establishment of several industries of varied importance in and around its district headquarter like Hathras, Atrauli, Sikandra Rao, Qasimpur and Khair. The Qasimpur Power House, the Narora dam, and the Narora Atomic power station (in Bulandshahr district) and canals have set the pace of progress in the field of agriculture and industry. The gap of skilled manpower is being filled up by the Muslim University which runs degree and diploma courses in Engineering and technology, M.B.A. and Bank Administration Courses etc. organised by the Faculty of Commerce.

One of the notable features of the district has been the absorption of most of the technical know-how in industry and commerce. This has been the cause for the diversification of industries mostly at the level of private

enterprise. The district has developed an industrial base capable of producing a large variety of articles from what was entirely a lock oriented start. The industrial base has been enlarged and transformed into a sophisticated and diversified complex. The good base has already been created. It has great potentialities for further growth which could help the district to emerge as an industrial belt not only of the U.P. but of India as a whole. Its Industrial Estate is producing large number of engineering goods which are source of earning foreign exchange.

For the last 25 years, the industrial scene of the district as well as state is changing fast which is a healthy sign of the progress. As a result of this, it may be noted that the beginning of a new era of silent industrial revolution has truly started in this part of the country. If the new forces are allowed to play their role and the state government continues its pragmatic policy of active encouragement to entrepreneurs for the development of new industries in the private sector. It is bound to create a healthy industrial climate in the state. The pace of progress, can even be more impressive in some directions and self-sustaining growth can be ensured.

The most important factor which contributed to the striking growth of industrial and agricultural production in the last two decades is the emphasis on development of power resources. With the completion of the Narora Atomic power station, the installed capacity of power in the region as well as in the State will go up tremendously which will successfully remove the power shortage in near future. The district is now in a sound position of being able to confidently assert that it would be able to meet what-ever demand for power might arise from agriculture and industry.

It is well connected by roads and rails with adjoining districts like Agra, Delhi, Kanpur, Meerut and other industrial centres. The district has road system which links up even the remotest parts. Again, the State Plans have also taken care of the needs that would arise for skilled man power for the various industrial plants likely to be set up in the State in near future. The foundations of a truly industrial economy, thus, has been laid in the district and there is no doubt that with these basic infra-structures coupled with other facilities such as land and building, water, transport, technical guidance, raw materials, training facilities, and also the availability of financial

assistance on liberal terms by the State government, NSIC, SSIC, SFC and various other agencies to new and existing units. Due to these, the district as a whole can look forward to even brighter future in the days to come.

As a result of the rapid development in the past 25 years, the rural areas of the district have also become industry conscious with the springing up of textiles and metal industries in different parts like Sasni, Gonda and adjoining areas of Sikandra Rao, Hathras and Atrauli. The Aligarh industrial estate and Hathras industrial area offer scope for setting up of a number of industries in near future. The new schemes stand for developing a variety of small industries in the district. There is a large cluster of factories in the Aligarh industrial estate which have developed in stature, producing paper, chemicals, aluminium, plastics, rubber, engineering, and medicines, minerals, tin and many other articles.

The lock industry held its sway over this district in the early stages after independence. Before 1960, when there was no industrial estate in the district, the working conditions of industrialists

and workers were not satisfactory. Labourers from adjoining rural areas used to come to city for jobs. They used to work in small dingy rooms. The workers were unhappy as their emoluments were not in tune with their requirements, the investors were not happy as they were not getting good dividend and interest on their investments in shares and deposits. After considering the industrial potentiality of the district three industrial estates have been set up each in Aligarh, Hathras and Atrauli. This has given a great fillip to the growth of industries that came into being to cater to the needs of industry and commerce. Now small machinery and tools in demand throughout the State are produced within the district itself. The large and small units have taken up a complimentary roles on an ancillary basis resulting in increased production in an organised way.

Since the establishment of industrial estate in 1961, events are, however, changing. With the growth of industries and the inflationary tendencies prevailing in the country, several problems have come up which have had an adverse effect on investment and expansion. The impact of non-availability of raw materials, increase in the prices of basic requirements, rise in the cost of labour and the production on the economy have arrested

units
the growth of ~~is small~~/ to be achieved. An attempt has been made to note the different aspects of these problems in detail in relevance to the district in this chapter in the following pages.

Besides small scale units, there ^{are} a number of large scale units functioning in different parts of the district. In the large scale sector following units are worth to mention:

1. Glaxo Laboratory, Manzoor Garhi, Aligarh.
2. Prag Oil and Ice Mills, Aligarh.
3. Central Dairy Farm, Aligarh.
4. Bijli Cotton Mills, Hathras.
5. Hydel Power House, Qasimpur.
(nearly 8,975 persons are employed in this unit alone).

In addition to large and registered small factory units, there are a number of cottage industries in the district. The main such type of Units are lock, carpets, khadi etc. Being a labour intensive, in lock industry alone about 50,000 persons are getting employment in one way or the other. In the year 1950 the total production of locks was about Rs. 1 crores. Now it has increased to about ten times.

The main industries of the district may be classified as follows:

TABLE NO. I

SHOWING CLASSIFICATION OF INDUSTRIAL UNITS ON THE BASIS OF MAIN PRODUCT

<u>Categories of industry</u>	<u>Main Product</u>
1. Glass industry	Glass jars and other glass products.
2. Candle	All types of candles.
3. Lock and building fitting material	All types of locks including cycle, locks, pad locks, door shutters and other necessary building fitting materials.
4. Light Engineering	Machinery parts, and doors etc.
5. Agricultural implements	Threshers, ploughs, cultivators, chaff cutters and other agricultural implements.
6. Pharmaceutical	Ayurvedic and unani medicines.
7. Optical	Frames and glasses, exposition of power in lenses.
8. Electric goods	Table lamps, cut-outs, lamp shades and other electricity fitting materials.
9. Biscuit	Bread, all other types of biscuits.
10. Dal	All dals specially moong, arhar & gram, urad etc.
11. Printing Press	Printing and Publications and block making.
12. Bulb	Small and big size bulbs.
13. Furniture	Tables, Chairs, Almira.
14. Readymade garments	Paints, coats, shirts, underwears and shorts etc.
15. Soap	Washing and Bathing soaps.
16. Ice-candy	Ice-candy.
17. Textiles (handloom and power loom)	Niwar, laces and bandage clothes, cotton carpets.
18. Oil	Mustard oil, ground nut oil.
19. Wire	Iron and silver wires.
20. Rolling mills	Iron bars of all size.
21. Thermometer	Thermometers.
22. Glass Beads	Glass beads
23. Others	Colours, machines, chemicals, knife, scissors, nails, safety razors, rubber goods, plastic goods.

These different categories of industries are increasing in number since 1961. But their actual development started after 1965. At the end of 1970 there were about 853 registered small scale units in the district. During 1971 about 135 new small units were registered under the Factories Act which raised the total to 988 units. The main industries developed during 1971 were of agricultural implements, machine parts, candle manufacturing, chemicals, plastic and Polythene, glass wares, and manufacturing of bottles for preserving fruits, motor and scooter parts, soap, lock and building fitting materials etc. With steady growth of industries in the district total number of registered units had reached 1326 till 15th December 1973. In all these registered units about 8,570 persons are directly employed. The growth of small enterprises in the district is shown in table No. II.

The table no. II reveals that prior to 1966 there were only 350 industrial units employing about 2,800 persons. But after 1966 the growth of small units took the boost and in the same year 76 new units were registered bringing the total from 350 to 426. This shows that in 1966 there was an increase of 22 per cent in number against the number existing before 1966. These additional units provided an additional employment to 420 persons. The number of small scale units is constantly increasing and it has reached to 1326. These units are employing 8,570 persons. Among the new units, there are about 567 units which employ five or more persons and about 409 units which employ less than five workers. Now the

TABLE NO. IX

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GROWTH OF SMALL UNITS REGISTERED UNDER FACTORIES ACT IN THE ALIGARH DISTRICT FROM 1966 TO 1973.

Year	No. of units employing less than 5 workers	No. of units employing more than 5 workers	Total No. of Units	Progressive Total	No. of work- ers employed	% of No. of units based on 1966	Percentage Increase
1	2	3	4	5	6	7	8
Pre 1966	-	-	350	350	2,800	100.0	-
1966	35	41	76	426	420	122.0	22.0
1967	40	50	90	516	560	147.4	47.4
1968	45	60	105	621	600	177.1	77.1
1969	45	72	117	738	690	210.8	110.8
1970	40	75	115	853	760	245.1	145.1
1971	45	90	135	988	810	282.3	182.3
1972	75	84	159	1,147	890	327.7	227.7
1973 (Till Dec. 15, 1973.	84	95	179	1,326	1,040	377.6	277.6
Total ...	409	567	1,326		8,570		

SOURCE: Compiled from the statistics available from the Office of the District Industries Officer, Aligarh.

percentage increase of unit has gone up to 277.6 per cent in comparison to 1965-66.

Out of 1,326 units the data of 855 units are available for 1972-73 from the office of the District Industries Officer. The classification of these units in different categories is given in table No. III.

TABLE NO. III

NUMBER OF UNITS UNDER DIFFERENT CATEGORIES AND THEIR PERCENTAGE TO TOTAL UNITS

S.No.	Particulars	No. of Units	% to Total
1	2	3	4
1.	Lock and building material	250	29.24
2.	Dal Mills	65	7.60
3.	Candle	60	7.02
4.	Light Engineering	58	6.78
5.	Printing Presses	35	4.09
6.	Electricity material	27	3.16
7.	Glass industries	26	3.04
8.	Agricultural implements	11	1.29
9.	Pharmaceutical	10	1.17
10.	Optical industries	10	1.17
11.	Biscuit	10	1.17
12.	Furniture	20	2.34
13.	Bulbs	4	0.47
14.	Ready made garment	3	0.35
15.	Soap industries	25	2.92
16.	Ice candy	5	0.58
17.	Textiles	10	1.17
18.	Oil	10	1.17
19.	Wire and rolling mills	12	1.42
20.	Thermometer	1	0.11
21.	Glass Beads	3	0.35
22.	Miscellaneous	200	23.39
Total ...		855	100.00

SOURCE: Compiled from the Statistics furnished by the Office of the District Industries Officer, Aligarh.

The table No. III reveals that among the different groups of industries the lock and building fitting material units are dominant. They represent 29.24 per cent with a total number of 250 units. Second and third in order of percentages are dal and candle industries with percentages of 7.60 and 7.02 respectively. They are 65 and 60 respectively in number. Light engineering, printing press, electricity equipment and fitting material, and glass industries occupy fourth, fifth, sixth and seventh places with percentages of 6.78, 4.09, 3.16 and 3.04 respectively. Soap industries occupy eight place representing 2.92 per cent to the total number of all 855 units. Another big group after locks should be of miscellaneous group which represents 23.39 per cent of all units but if they are sub-classified their percentage share would be reduced to negligible. Agricultural pharmaceutical, optical, biscuit, textiles and oil units find the equal share representing 1.17 per cent each. The smallest group is of thermometer industry with only one unit representing about 0.11 per cent to the total. Other groups of smaller size are ice-candy, bulbs, ready-made garments and glass beads with 5, 4, 3 and 3 units each representing about 0.58, 0.47, 0.35 and 0.35 per cent respectively.

The position of capital employed by these units is given in the following table.

TABLE NO. IV

STRUCTURE OF CAPITAL EMPLOYED BY SMALL UNITS DURING 1972-73

S.No.	Categories of Units	No. of Units	Total capital employed	% to total capital	Average capital in each unit
1	2	3	4 RS.	5	6 RS.
1.	Glass wares	26	3,80,00,000	11.94	14,61,538
2.	Candle	60	4,50,000	.15	7,500
3.	Lock and building fitting material	250	25,00,00,000	78.56	10,00,000
4.	Light Engineering	58	54,50,000	1.71	93,966
5.	Agricultural implements	11	5,50,000	.18	50,000
6.	Pharmaceutical	10	5,28,000	.17	52,800
7.	Optical	10	1,50,000	.05	15,000
8.	Electric goods	27	20,50,000	.65	75,927
9.	Biscuit	10	6,50,000	.21	65,000
10.	Dal mills	65	75,00,000	2.36	1,15,385
11.	Printing presses	35	3,95,000	.12	11,286
12.	Furniture	20	3,00,000	.09	15,000
13.	Bulbs	4	2,90,000	.09	72,500
14.	Readymade garment	3	35,00,000	1.10	11,66,667
15.	Soap	25	10,00,000	.31	40,000
16.	Ice candy	2	20,000	.01	4,000
17.	Textiles	10	5,90,000	.19	59,000
18.	Oil	10	15,55,000	.49	1,55,500
19.	Wire (aluminium)	3	5,00,000	.16	1,66,667
20.	Rolling mills	9	27,00,000	.85	3,00,000
21.	Thermometer	1	3,52,000	.11	3,52,000
22.	Glass Beads	3	2,00,000	.06	66,667
23.	Miscellaneous	200	15,00,000	.47	7,500
Total		855	31,82,30,000	100	

SOURCE: By the courtesy of the District Industries Officer, Aligarh.

Table No. IV indicates that the highest amount of capital is employed in the lock and building fitting material groups. The total amount stands at Rs. 25 crores representing 78.56 per cent of total capital employed in all 855 units of 23 types spread over the whole district. The first group according to average capital investment is glass wares with the amount Rs. 14,61,538. This group stands second in the total amount of capital representing about 11.94 per cent. The third group is of dal mills which represents about 2.36 per cent. The fourth and fifth groups are light engineering and ready made garments representing about 1.71 per cent and 1.10 per cent each. But the ready made garments group got second place after glass ware units with Rs. 11,66,667 according to average capital employed. The third group in the average is lock and building fitting materials with amount of Rs. 10 lakhs in each unit. The lowest amount invested is in ice candy manufacturing units. These units represents .01 per cent to the total capital and average of these units comes to about Rs. 4,000.

The average capital employed in each unit is shown in column number 6. It clearly indicates that there is a wide variation in capital employed per unit from industry to industry. For instance, the Glass wares industry employs nearly 365 times as much capital as is employed in the ice candy manufacturing units. The subsequent table indicates the size of individual units on the basis of labour-employed.

TABLE NO. V

AVERAGE NUMBER OF WORKERS EMPLOYED IN EACH UNIT DURING 1972-73

(TEMPORARY)

3. Categories No. of units	No. of units	No. of full- time workers	No. of tempo- rary work- ers	Total work- ers	% To Total	Workers per unit	% of full -time workers	% of temporary workers	
1	2	3	4	5	6	7	8	9	10
1. Glass wares	26	2,321	1,252	3,573	15.23	138	65		35
2. Candle	60	240	250	490	2.09	8	49		51
3. Lock and building fitting Material	250	3,500	4,985	8,485	36.06	34	41		59
4. Light Engineering	58	406	709	1,115	4.74	19	36		64
5. Ag. Implements	11	55	187	242	1.03	22	23		77
6. Pharmaceutical	10	50	205	255	1.08	26	20		80
7. Optical	10	40	75	115	.09	12	35		65
8. Electric goods	27	162	295	457	1.93	17	35		65
9. Biscuits	10	59	150	209	.89	21	29		71
10. Dal Mills	65	325	350	675	2.87	10	45		55
11. Printing Press	35	105	350	455	1.93	17	23		77
12. Furniture	20	105	200	305	1.29	15	34		66
13. Bulbs	4	25	29	54	.23	14	45		55
14. Readymade garments	3	15	19	34	.14	11	43		57
15. Soap	25	125	270	395	1.68	16	32		68
16. Ice candy	5	20	129	149	.63	30	14		86
17. Textiles	10	39	139	178	.76	18	22		78
18. Oil	10	750	850	1,640	6.97	164	46		54
19. Wire	3	29	31	60	.25	20	50		50
20. Rolling mills	9	63	225	288	1.22	32	22		78
21. Thermometer	1	43	7	50	.21	50	86		14
22. Glass beads	3	23	129	152	.65	51	15		85
23. Miscellaneous	200	1,000	3,150	4,150	17.64	21	24		76
Total	...	855	9,500	14,026	23,526	100			

SOURCE: By the courtesy of District Industries Officer, Aligarh.

Table No. V shows that in lock and building fitting materials units the number of workers employed is highest i.e. 8485 workers. If the number of workers is taken as the standard of measuring the size of the unit, largest group will be of oil industry and smallest of ready made garments. All other groups will fall under these two limits. In the lock and building fitting material units, although, the total number of workers representing about 36 per cent to total is highest but if average is taken they stand third after oil and glass wares industries. The position of full time employment and seasonal employment is sound in thermometer unit. In this unit 86 per cent workers are permanently employed and only 14 per cent are seasonal. Ice being a seasonal business, the position is quite different than thermometer. The employment situation in candle manufacturing units is normal where 49 per cent workers are permanent and a little more about 51 per cent are seasonal workers.

CAPITAL LABOUR RATIO:

It gives an idea about the magnitude of capital requirement per worker employed in the industry or a range of capital intensity in different industries. Table No. VI gives an idea of the magnitude of capital employed per worker in different industries.

TABLE NO. VI

CAPITAL EMPLOYED PER WORKER DURING 1972-73

S.No. Categories	No. of Units	Total capital invested	Total no. of workers employed	Per worker capital employed
1	2	3	4	5
		Rs.		Rs.
1. Glass wares	26	3,80,00,000	3,573	10,635
2. Candle	60	4,50,000	490	918
3. Lock and building fitting materials	250	25,00,00,000	4,985	50,150
4. Light Engineering	58	54,50,000	1,115	4,888
5. Ag. Implements	11	5,50,000	242	2,273
6. Pharmaceutical	10	5,28,000	255	2,071
7. Optical	10	1,50,000	115	1,304
8. Electric goods	27	20,50,000	457	4,486
9. Biscuits	10	6,50,000	209	3,110
10. Dal Mill	65	75,00,000	675	11,111
11. Printing presses	35	3,95,000	455	866
12. Furniture	20	3,00,000	305	984
13. Bulbs	4	2,90,000	54	5,370
14. Readymade garments	3	35,00,000	34	1,02,941
15. Soap	25	10,00,000	395	2,532
16. Ice candy	5	20,000	149	135
17. Textiles	10	5,90,000	178	3,315
18. Oil	10	15,55,000	1,640	948
19. Wire	3	5,00,000	60	8,333
20. Rolling mills	9	27,00,000	288	9,375
21. Thermometers	1	3,52,000	50	7,040
22. Glass Beads	3	2,00,000	152	1,309
23. Miscellaneous	200	1,50,000	4,150	361
Total	855	31,82,30,000	23,526	

SOURCE: Compiled from the Statistics available from the Office of the District Industries Officer, Aligarh.

It is evident from table No. VI that there is a vast variation in the per worker capital requirement. It is highest in the ready made garment units. In these units to employ one worker, the amount of capital needed is about Rs. 1,02,940. The ice candy unit needs only Rs. 135 for employing a worker. It is clear from the table that the employment cost in ready made garments industries is too high in comparison with other groups. Other groups of industrial units fall inbetween these two extreme highest and lowest limits. The second highest capital intensive group is lock and building fitting materials. Glass wares and dal mills stand third and fourth capital intensive groups. Labour intensive and capital saving groups are ice candy, printing presses, candles, furniture and oil and glass wares unit. They are grouped in order of their intensity of labour. To employ one person the amount of capital is needed Rs. 135 in ice candy, Rs. 366 in printing presses, Rs. 918 in candle manufacturing units, Rs. 948 in oil units, Rs. 984 in furniture industry and Rs. 1309 in glass beads units. From the given table it is clear that most of units are capital saving. The capital intensive units are very few. Therefore, if such types of units are set up and existing units are developed there is no reason to believe that the employment situation of adjoining areas of the district is improving.

In most of the cases the production cost is also low which is clear from the table No. VII.

TABLE NO. VII

PRODUCTIVITY RATIO IN DIFFERENT INDUSTRIES DURING 1972-73

S.No.	Categories of Units	No. of units	Capital employed Rs.	Production Rs.	% of Production to capital employed
1	2	3	4	5	6
1.	Glass wares	26	3,80,00,000	3,00,00,000	79
2.	Candle	60	4,50,000	5,00,000	111
3.	Lock and building fitting materials	250	25,00,00,000	20,00,00,000	80
4.	Light Engineering.	58	54,50,000	67,80,000	125
5.	Ag. Implements.	11	5,50,000	20,00,000	364
6.	Pharmaceutical	10	5,28,000	6,20,000	111
7.	Optical	10	1,50,000	2,30,000	153
8.	Electric goods	27	20,50,000	45,00,000	220
9.	Biscuits	10	6,50,000	7,80,000	120
10.	Dal Mills	65	75,00,000	3,00,00,000	400
11.	Printing presses	35	3,95,000	Job Work	-
12.	Furniture	20	3,00,000	8,00,000	257
13.	Bulbs	4	2,90,000	5,00,000	172
14.	Readymade Garments	3	35,00,000	1,97,000	6
15.	Soap	25	10,00,000	17,00,000	170
16.	Ice candy	5	20,000	1,00,000	500
17.	Textiles	10	5,90,000	15,00,000	254
18.	Oil	10	15,55,000	2,00,00,000	1,286
19.	Wire	3	5,00,000	8,00,000	160
20.	Rolling Mills	9	27,00,000	31,00,000	115
21.	Thermometers	1	3,52,000	2,50,000	71
22.	Glass Beads	3	2,00,000	2,50,000	125
23.	Miscellaneous	200	15,00,000	27,00,000	180
Total		855	31,82,30,000	30,73,07,000	

SOURCE: By the courtesy of the District Industries Officer, Aligarh.

Table No. VII clearly indicates that the percentage of production in relation to capital employed is highest in oil mills. In these mills, it is nearly 1286 per cent which is as high as about 214 times more than in readymade garment units. It can safely be concluded that oil mills are more paying than other industrial units. Second highest percentage is of Dal mills. In dal manufacturing units an entrepreneur if invests Rs.100 can expect product of valuing about Rs. 364/-. Units in which the capital productivity is less than one are glass ware units. Lock and building fitting material units, ready made garment units and unit producing thermometers. In ready made garment manufacturing units it is abnormally low while in oil mills it is abnormally high because the cost of production in oil mills is low. Other groups fall in between these two extreme limits.

The production figures of individual units are averaged in table No. VIII.

TABLE NO. VIII

PRODUCTION BY SMALL UNIT, DURING 1972-73.

S.NO.	Categories of Units	No. of units	Total Production	Average Production	% to Total Production
1	2	3	4 Rs.	5 Rs.	6
1.	Glass wares	26	3,00,00,000	11,55,807	9.76
2.	Candle	60	5,00,000	8,333	0.16
3.	Lock and Building Fitting Materials	250	20,00,00,000	8,00,000	65.08
4.	Light Engineering	58	67,80,000	1,16,897	2.21
5.	Agricultural Implements	11	20,00,000	1,81,819	0.65
6.	Pharmaceutical	10	6,20,000	62,000	0.20
7.	Optical	10	2,30,000	23,000	0.08
8.	Electric good	27	45,00,000	1,66,667	1.46
9.	Biscuits	10	7,80,000	78,000	0.25
10.	Dal Mills	65	3,00,00,000	4,61,538	9.76
11.	Printing Presses	35	Job Work	--	-
12.	Furniture	20	8,00,000	40,000	0.26
13.	Bulb	4	5,00,000	1,25,000	0.16
14.	Ready made Garments	3	1,97,000	65,667	0.06
15.	Soap	25	17,00,000	68,000	0.55
16.	Ice candy	5	1,00,000	20,000	0.03
17.	Textiles	10	15,00,000	1,50,000	0.49
18.	Oil	10	2,00,00,000	20,00,000	6.51
19.	Wire	3	8,00,000	2,66,667	0.26
20.	Rolling Mills	9	31,00,000	3,44,444	1.09
21.	Thermometer	1	2,50,000	2,50,000	0.08
22.	Glass Beads	3	2,50,000	83,334	0.08
23.	Miscellaneous	200	27,00,000	13,500	0.83
Total		855	30,73,07,000		100.00

SOURCE: Compiled from the Statistics furnished by the Office of the District Industries Officer, Aligarh.

Table No. VIII indicates that the total production of lock and building fitting materials was highest. It was Rs. 20.0 crores during the year 1972-73 which stood at 65.08 per cent of the total production of all units during the year. But due to larger number of units in this group the average production was highest in glass ware units which stood at about Rs. 11,55,807 per unit. The total production of glass ware units was Rs. 3.0 crores which represented 9.76 per cent to the total production.

Although, the total production of dal mills was also Rs. 3.0 crores and their share in total production too was 9.76 per cent but due to large number of units in this category the average production per unit reduced to Rs. 4,61,538. The lowest percentage in the total production was of ice candy which came to about 0.03 per cent with an average per unit production of Rs. 2,000. The production of other units ranged between the production limits of lock and building fitting materials and ice candy manufacturing units. The figures of average production fell between averages of glass ware units and miscellaneous units.

Now, I turn to present a case study of some selected units functioning in Aligarh.

CASE STUDY OF SOME SELECTED INDUSTRIES

1. ROSE LOCK FACTORY:

The factory is situated at Upper Court, Aligarh. It was set up in 1956 on partnership basis. Since its establishment, it is producing a variety of locks and pad-locks. At present, the factory is running efficiently to cater for the needs of public of Aligarh as well as of the whole country. The Rose Locks are also exported to neighbouring countries like Nepal, Bhutan and Sri Lanka.

The sales and exports of these locks are carried out through the sales representatives and personal visits of the manufacturers. For exporting locks representatives of the organisation usually pay visits to different countries and book the orders. For the export purpose neither state government nor industrial estates and nor the State Trading Corporation render any help. If the industrial estate and the S.T.C. come forward in exporting and marketing the manufactured locks the burden of the manufacturers will be much reduced. They can pay more attention on the quality and standardisation of locks and pad-locks.

The growth, goodwill, and the image of the Rose Lock Factory are continuously progressive. On account of quality and durability of its locks, the goodwill of the

factory in the local, national and international markets is sound. The services of the Rose Locks are highly appreciable.

Not only the working but the investment position of the unit is also satisfactory. At the end of March, 1972 the factory employed Rs. 2,24,558 in fixed assets as Rs. 1,10,575 in land and building, Rs. 1,03,309 in machinery Rs. 8,675 in tools and equipments and other appliances, and Rs. 2,000 in furniture.

The total value of raw materials consumed during the year 1971-72 stood at Rs. 3,14,300. The factory acquires raw materials from the government quota, import licences and the open market. Most of the raw materials used in the factory are obtained through import licences. In the events of delay in supply of raw materials, the unit used to purchase required quantity from the open market but the quantity of such purchases is small.

The progress of the factory for the last five years is given in table No. IX.

TABLE NO. IX

AMOUNT OF PRODUCTION, SALES AND CLOSING STOCKS OF
ROSE LOCK FACTORY

Year	Total Production Rs.	Total Sales Rs.	Closing Stock Rs.	Percentage of closing stock to total production
1	2	3	4	5
1968	4,90,520	4,75,700	55,589	11.4
1969	5,00,448	4,90,230	65,807	13.3
1970	5,50,077	5,81,257	34,620	6.4
1971	5,80,800	5,90,200	25,220	4.3
1972	6,50,000	6,45,220	20,000	4.7

SOURCE: Personal investigations.

Table No. IX clearly indicates that the factory had a closing stock of Rs. 55,589.00 at the end of 1968 which represented about 11.4 per cent to the total production. This percentage increased in 1969 to 13.3 per cent but began to decrease since 1970. In 1970, the total production stood at Rs. 5,50,077. In the same year closing stock was 6.4 per cent of total production. The stock further reduced to 4.3 per cent in 1971. During 1972, the organisation manufactured goods worth Rs. 6,50,000 and the unsold stocks stood at 4.7 per cent.

The working results of the concern as reviewed above indicate that in spite of various problems it is progressing steadily. The most important trouble is to get import licences for components and essential raw materials in time. The uncertain and inadequate quantities have constantly been hampering the working of the concern. The promised improvements in the situation have not been materialised. It is expected from the district industries officer and Small Industries Development Corporation of U.P. that they would pay proper attention on the needs of the concern.

From the above, it may be concluded that if some positive measures like supply of raw materials, adequate electricity and power, training facilities to management and workers, export and marketing facilities are provided, the unit can perform still better role in the process of industrial development of the district.

(2). KUMAR METAL COMPANY:

The Kumar Metal Co. was set up in 1965. It is partnership firm. The main product of this unit is wires (both aluminium and copper wires). Mostly it produces aluminium wires of all sizes. It is also manufacturing building fitting materials.

The factory is situated in its own building on Agra Road nearly one mile away from the railway station. The total investments in fixed assets stood at about Rs. 1,24,000 at the end of 1971-72. During the year 1971-72 the production of wires stood at Rs. 5,00,000. Out of this production, goods worth Rs. 4,50,000 were sold during the year. The unit sells the goods through the sales representatives. The concern supplies wires to local as well as national markets.

The main source of raw material to the concern is open market. The entrepreneurs do not obtain raw materials from the Government quota or through import licences due to long delays and various difficulties in the way of obtaining them. The main raw materials used are aluminium, and zinc, which are easily available in the open market. For an effective operation the government agencies specially Small Industries Development Corporation of U.P. should come forward in providing financial as well as raw materials help.

The working of the concern is progressive. It is evident from the fact that the total production during 1966-67 was only Rs. 2,000. It went upto Rs. 5,00,000 during 1971-72. The unit during the year 1971-72 earned a net profit of Rs. 29,707.77. The

whole amount of profit was distributed among the four partners out of which about 25 per cent was ploughed back for the development of the concern.

The working of the organisation can still be made progressive if some general handicaps are tackled properly. Firstly the unit feels a great difficulty in getting raw materials. After the decentralisation of the policy of dispersal of industries of our central government, metal industry has defused all over the country. Aluminium, copper and zinc raw materials are mostly imported. Due to shortage of foreign exchange these metals have long come under distribution control. Although some preference is given in raw materials allocations but due to long delays small entrepreneurs face difficulty and resort to black marketing for raw materials.

High freight and sale-tax, octroi duty etc. also make the goods costlier. In spite of these facts the unit is running successfully.

3. C.L. TRADERS:

It is also a metal industry producing building fitting materials. It was started in December 1965 on a very small scale basis. The unit is functioning in a rented building at Kanwariganj, Aligarh. The annual rental value of the building is Rs. 600. The total investments in assets stood at Rs. 17,850 divided as Rs. 17,500 in machinery tools and other equipments and Rs. 350 in furniture fixtures and fittings. Although, the fixed assets of the factory are very short but it provides employment to eleven persons on permanent basis. In times of need more persons are engaged in the factory on temporary basis.

During the year 1971-72 the total production of the factory was Rs. 2,67,000. The sales during the same year were Rs. 3,55,000. The products of the factory are sold in local and national market through its sales representatives. During the year 1971-72 the unit earned a net profit of about Rs. 20,000. Out of this profit nearly 40 per cent was ploughed back for the extension of machinery and equipment.

The position of sales of concern for the last seven years is shown in the table No. 1.

TABLE NO. X
WORKING RESULTS OF C.L. TRADERS

Year	Sales Rs.	Percentage based on 1966-67	Percentage increase
1	2	3	4
1965-66 (Three months only)	14,000	15.6	-
1966-67	90,000	100.0	-
1967-68	1,18,000	131.1	31.1
1968-69	1,31,000	145.6	45.6
1969-70	2,31,000	256.7	156.7
1970-71	3,18,000	353.3	253.3
1971-72	3,55,000	394.4	294.4

SOURCES: Based on Personal investigations.

The activities of the unit are increasing rapidly. It is clear from table No. X that during 1966-67 the total sales of the organisation were Rs. 90,000. It was nearly three times higher than the sales figures of 1966-67 in 1971-72.

The firm produces generally all types of materials needed for building fitting purposes. The most gratifying factor/ has been that this concern has developed its activities steadily in a short span of only six years. Now it is being treated as one of the trustworthy among building fitting material units for quality and timely supplies. It is pleasing to note that the firm has established several permanent customers due to its quality of goods and its timely supply at reasonable prices.

From the forgoing critical study I can, now, turn to estimate the capital requirements of industries of Aligarh district. The following table presents a vivid picture of capital needs for 1975-80. As it has been pointed out in the fourth chapter that the prices of industrial raw materials, machinery and equipment and other factors of production are continuously increasing. These estimates also based on the same assumptions.

TABLE NO. XI

PER UNIT CAPITAL REQUIREMENT OF SMALL SCALE INDUSTRIES OF ALIGARH
DISTRICT FOR 1975-80
(ESTIMATED)

S.No.	Categories of Units	Total Productive Capital	Fixed Capital	Working Capital
1	2	3	4	5
1.	Glass Wares	Rs. 6,50,000	Rs. 2,50,000	Rs. 4,00,000
2.	Candle	1,00,000	25,000	75,000
3.	Lock and Building fitting Material	50,00,000	20,00,000	30,00,000
4.	Agricultural Implements	8,00,000	3,00,000	5,00,000
5.	Light Engineering	10,00,000	4,00,000	6,00,000
6.	Pharmaceutical	7,50,000	2,50,000	5,00,000
7.	Optical	1,50,000	50,000	1,00,000
8.	Electric goods	7,50,000	2,50,000	5,00,000
9.	Biscuits	6,50,000	2,00,000	4,50,000
10.	Dal and flour Mills	11,50,000	4,00,000	7,50,000
11.	Printing Press	2,25,000	75,000	1,50,000
12.	Furniture	3,00,000	1,00,000	2,00,000
13.	Bulbs	7,25,000	2,50,000	4,75,000
14.	Readymade Garment	15,00,000	5,00,000	10,00,000
15.	Soap	4,00,000	1,50,000	2,50,000
16.	Ice candy	60,000	20,000	40,000
17.	Textiles (Handloom etc.)	6,00,000	2,00,000	4,00,000
18.	Oil Mills	15,00,000	5,00,000	10,00,000
19.	Wire	16,00,000	6,00,000	10,00,000
20.	Rolling Mills	30,00,000	10,00,000	20,00,000
21.	Thermometer	35,00,000	12,00,000	23,00,000
22.	Glass Beads	20,00,000	7,00,000	13,00,000
23.	Miscellaneous	1,50,000	50,000	1,00,000

Now, after estimating the capital needs of small scale units in the registered and organised sector, I turn to give a brief account of financial needs of rural industries of the district. For the rural industrialisation following ^{amounts} of investment in plant and machinery may be recommended :-

'A' Below Rs. 25,000 would be needed in case of industries like-potato starch, surgical bandages, leather tanning, ladies hand bags and other leather specialities, canning and preservation of meat, wooden furniture, wooden carved articles, rope and bag making etc. etc.

'B' - Rs. 25,000 and above but less than Rs. 50,000 would be required in carpet making, steel furniture, Itar and scent industries.

'C' - Rs. 50,000 and above but less than Rs. 1,00,000 will be needed in Poultry feed, cattle feed, fruit preservation, dehydration of fruits and vegetable, foot wear and leather goods.

'D' - Rs. 1,00,000 and above but less than Rs. 2,50,000 - in Khandwari sugar by open pan process, straw board, cardboard boxes, cartoons, posters, calenders, leaflets etc. Potato flour, dehydrated potato chips, dairy products, saw milling, cane wood seasoning, hollow concrete block.

'E' - Rs. 2,50,000 and above but less than Rs. 5,00,000 will be needed in surgical cotton, crushing of ground nut oil seeds and refining of oil for edible purposes etc.

These above estimated amounts would be required in different categories of units in view of rising prices. The entrepreneurs of the district usually meet their capital needs through their own savings and funds of their friends and relatives and a very small part of their financial needs are satisfied by institutional sources. These organisational sources of credit to small scale units have been discussed in following pages under the heading problems and prospects of small scale units in Aligarh district.

PROBLEMS AND PROSPECTS OF SMALL SCALE UNITS IN ALIGARH DISTRICT

In spite of the fact that small scale units are provided various facilities yet they face numerous difficulties. Some of the small industrialists reported their grievances about the working of the various agencies. These bottlenecks can be removed by the government agencies if they pay some sympathetic heed. They must also organise themselves in associations for self development. To start a small scale unit in a region like Aligarh, an entrepreneur is required to obtain about eight approvals

or licences. He has to get approval from municipal authorities, the factory inspector, the District Health Officer, the Town Planning Officer, the Excise Duty Officer, the Sales Tax Officer, the Electricity Board, the District Industries Officer, the N.S.I.C. Limited and the Area Development Officer etc. In such circumstances one can understand the frustration of an entrepreneur who knocks one office to another to get the licence or approval. The lengthy procedure is torturous for new and hesitant entrepreneurs. It is unnecessary to compel new industrialists to get so many licences and approvals to start his industry. It may be suggested that the lengthy procedure of starting a new unit should be cut short to a maximum possible extent. It may, further, be suggested that Industries Officer at district level can issue a complete licence which may be sufficient to start a unit. If it is not followed, may check the growth of small units and only experienced industrialists alone can start small units. This will, again, create the problem of concentration of wealth in the hands of few people.

from the general experience and as noticed by industrialists that various rules and regulations of the government such as factories Act, Town Planning Act and Public Health Acts are creative of hindrances in the way of development of small industries. The government has formulated Acts for the development of small industries

but the implementation of these rules is such which irritate and harass the small scale industrialists who are generally very weak. Therefore, authorities operating these Acts should pay proper attention on the problems of new entrepreneurs. Their working should make every possible effort to persuade the new and energetic entrepreneurs to set up units of their own.

In this connection it may be suggested that these rules and regulations should be simplified by the operating authorities according to the prevailing conditions. It would be better if these rules are evaluated by a high level committee. This committee should ascertain that how far they retard the development of small scale industries and suggest remedies to be implemented by the Government. In addition to difficulties in getting licences, small industrialists face a number of bottlenecks which have been discussed in the following pages.

I. INADEQUATE SUPPLY OF
RAW MATERIALS:

Mostly small industrialists of the district seek raw materials from open market through government quota and import licences. Most of the industries of the district are metal and processing. As such, they, themselves, cannot manufacture their raw materials. Therefore, it should be the duty of the government agencies to make provisions of the necessary raw materials.

The main raw materials which small industries require are ferrous metals like pig-iron, B.P. sheets, flats and plates, structurals and alloy steel such as stainless steel, dynamo stamping sheets and chemicals. The non-ferrous materials are brass, tin, copper, zinc, and aluminium etc. As it is a general fact that small industrialists are weak in finances. Therefore, they cannot keep the stock of raw materials for a long time. In most of the cases, they purchase it in small quantities in the open market to meet their daily or weekly needs.

As, it is pointed out that the small scale industrialists of the district require imported raw materials. The procedure is such which makes raw material costly. If these raw materials are imported directly, they are economical. Therefore, to run small industries economically, it is an urgent need to allow small entrepreneurs to import raw materials. In this connection government agencies like industrial estates, director of industries, and other related industrial development authorities are required to assist small manufacturers. In the present circumstances to procure imported raw material, the general practice is to apply for import licences to the Central government through state agencies. As, the import licence applications are required to move through different channels. In this

regard a small delay can be understandable. The long delays in getting import licences up-set the production. To carry out manufacturing process, small entrepreneurs resort to black marketing. Such methods of obtaining raw materials make the production costlier. The sales of such costly products in the open market face a grave competition with a large scale units and sales become extremely difficult.

RAW MATERIAL FACILITIES:

For the proper development of small scale sector in the district, the U.P. State Small Industries Corporation is playing an important role. It helps small scale entrepreneurs in acquiring imported and indigenous machinery, raw materials, and financial assistance from institutional sources. Among its facilities, the provision of machinery and raw materials to small entrepreneurs is important. During 1972-73 the corporation provided following types of raw materials to small units of Aligarh district through its raw material depot of Agra.

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TABLE NO. XII

RAW MATERIALS SUPPLIED BY RAW MATERIAL DEPOT AGRA
DURING 1972-73

Type of raw material	No. of units	Quantity of raw material supplied
Steam coal and hard coal	71	1,708 sq. ft.
Iron and steel	69	531 metric tonnes
B.P. Sheets	21	69 metric tonnes
Chemicals etc.	68	N.A.
Total	229	

SOURCE: by the courtesy of District Industries Officer, Aligarh.

Thus, most of the necessary raw materials are supplied by the corporation. To make the services of the corporation effective it may be proposed to set up a raw materials depot in the district. When this depot will start its functioning, acquiring of raw materials will be easier and it will be a boon for the industrial development of the district and the region as a whole.

It is reported by most of small industrialists that their troubles will be much minimised if applications are forwarded within a fortnight by the Assistant Director of Industries at district level and within a same period by the Director of Industries at State level. The procedure of getting import licence should be modified and small industrialists should be encouraged to apply for all types of raw materials.

It may further be suggested that state government should recommend indents of small scale sector for supply of indigenous raw materials quickly and favourably.

2. INSUFFICIENT CREDIT AND LOAN FACILITIES:

In a developing economy the institutional credit is essential for daily business needs. Since small industries are run by middle class persons. These people do not have sufficient amount of capital to meet all types of capital requirements. Most of industrialists of the district depend on their own savings and the savings of their relations. It is also due to harassing practices of credit institutions. These institutions require such informations which industrialists find difficult to disclose. And some times they could not fill loan applications due to technical reports from authorised persons such as Clearance from Sales Tax Officer, Income Tax Officer, and Assistant Director of Industries, report from a Chartered accountant. In such cases small industrialists abstain themselves from institutional credit. And, thus, the development of small scale units is depressed.

In addition to the requirement of documents, long delays in scrutinising the applications are also a factor of not utilising the various facilities. These delays should be avoided. The enterprising entrepreneurs

should be welcomed and encouraged to venture in new industries. A close cooperation with the district associations of small industries should be established by commercial banks. A frequent dialogue among them is very essential to solve the problems affecting the growth of small scale industries in the district.

As a matter of fact, presently, there is no relationship with the nationalised and other scheduled commercial banks and small entrepreneurs. The voices and requests of small scale entrepreneurs should be heard and respected by the big banks. These banks should finance small industrialists without making any distinction among small and big units.

FINANCIAL HELP:

Financial help is available for small entrepreneurs through various institutional sources. Among the institutional sources the role of nationalised commercial banks specially State Bank of India is remarkable. This is the only Commercial bank which helps small entrepreneurs in different ways. These institutional sources have developed very fast since the nationalisation of fourteen commercial banks in July, 1969. Prior to 1969, the main source of finance to small entrepreneurs of the district was owners' savings. The district grants were also operating but their role was not so significant. The amount of grants

sanctioned and recovered are given in table No. XIII.

TABLE NO. XIII
DISTRICT GRANTS AND THEIR RECOVERY SINCE
1956-57 TO 1966-67

Year	Amount Sanctioned Rs.	Amount Recovered Rs.	Amount Outstanding Rs.	Percentage of Amount outstanding to Amount sanctioned.
1	2	3	4	5
1956-57	10,000	10,000.00	--	--
1957-58	25,000	23,333.33	1,666.67	6.7
1958-59	50,000	46,352.00	3,648.00	7.3
1959-60	95,000	84,547.75	10,452.25	11.0
1960-61	1,15,000	1,05,859.00	9,141.00	8.0
1961-62	1,15,000	1,06,373.48	7,626.52	6.6
1962-63	1,50,000	1,33,814.78	16,185.22	10.8
1963-64	1,50,000	1,34,533.71	15,466.29	10.3
1964-65	2,00,000	1,79,352.57	20,647.43	10.3
1965-66	1,60,000	1,30,487.61	29,512.39	12.2
1966-67	11,71,000	10,02,735.29	1,68,264.71	14.4

SOURCE: Compiled from the statistics available from the Office of the Director of Industries, Aligarh District.

The Table No. XIII indicates that in 1956-57 all grant loans were recovered. But during 1957-58 loans of Rs. 25,000 were advanced and Rs. 23,333.33 could be recovered and Rs. 1,666.67 representing about 6.7 per cent of the total were outstanding. The highest percentage of outstanding

grants was in 1966-67. In this year Rs. 11,71,000 were advanced and during the same year about Rs. 10,02,735.29 were recovered leaving a balance of Rs. 1,68,264.71 which represented about 14.4 per cent of total loans advanced. During 1965-66, 12.2 per cent grants loans could not be recovered. In this way outstanding loans range from 6.6 per cent to 14.4 per cent. During 1963-64 and 1964-65 the percentage of outstanding balance remained the same e.g. 10.3 per cent respectively.

In the field of financing small scale units of the district, the U.P. State Financial Corporation is also providing its valuable assistance. During the year 1972-73 the corporation sanctioned Rs. 17,08,000 to 24 parties.

In addition to the Central and State government organisations, the Commercial banks specially nationalised banks are rendering valuable credit facilities to small scale industries of the district. The table No. XIV depicts performance of nationalised banks in advancing credit through various methods.

TABLE NO. XIV

TOTAL ADVANCES BY NATIONALISED COMMERCIAL
BANKS TO SMALL SCALE INDUSTRIES OF ALIGARH
DISTRICT

Year	Nature of advances			
	Term loans	Overdraft credit	Demand loan	Cash credit
		Rs.	Rs.	Rs.
1965	NA	32,74,300	1,80,900	16,35,900
1966	NA	23,66,300	2,16,400	19,44,900
1967	NA	21,84,200	3,78,800	20,26,400
1968	3,14,900	14,25,300	4,46,000	26,79,900
1969	16,24,500	9,98,800	5,21,800	48,71,300
1970	28,60,000	16,61,400	5,74,500	76,17,900

N.A. = Not available.

- SOURCE: -
1. Compiled from the Annual Report of the nationalised banks of the Aligarh district.
 2. Informations furnished by the Office of the Director of Industries, Aligarh.

Table No. XIV clearly indicates that the amount of loans in all types of credit facilities has been increasing except overdraft credit. It may be due to the failure of entrepreneurs to repay the loans in time.

The performance of the nationalised commercial banks under credit loans may be seen in table No. XV for the period 1st April to 31st August, 1972.

TABLE NO. XV

NATIONALISED BANKS' CREDIT TO SMALL UNITS UPTO 31-8-1972.

S.No.	Particulars	No. of units	Amount sanctioned Rs.	% To Total
1.	Cash credit - lock and key basis	125	18,89,000	18.6
2.	Cash credit - factory type	96	20,20,000	19.9
3.	Cash credit - special hypothecation	90	13,20,000	13.0
4.	Cash credit - machinery account	90	6,50,000	6.4
5.	Cash credit - (under NSIC scheme)	7	2,14,000	2.1
6.	Cash credit - instalment credit account	89	13,12,945	13.0
7.	Cash credit - term loan accounts for the construction of factory building	17	5,85,000	5.8
8.	Cash credit - packing credit advances for exporters	11	2,35,000	2.3
9.	Cash credit - export bill limit	14	11,20,000	11.1
10.	Cash credit - 10% advance facility (at the time of emergency)	38	2,81,700	2.8
11.	Cash credit - (clean overdraft)	54	5,07,000	5.0
TOTAL		631	1,01,34,645	100.0

SOURCE:- Compiled from the Annual Report of the Nationalised Banks of Aligarh District and the informations received from the office of the District Industries Officers, Aligarh District.

The table no. XV analyses the advances of the commercial banks to the small scale sector of Aizawl district. During the period from 1st April to 31st August 1972 the loans extended by these banks stood at Rs. 1,01,34,645 to 631 units. This amount was advanced under 11 loan categories. The highest amount of loans was under cash credit as factory type to 96 units. The actual amount was of the order of Rs. 2.02 million which represented about 19.9 per cent to the total. In order of percentage and amount, the second highest category of advances was cash credit as lock and key basis. Under this head 125 units were advanced Rs. 1.89 million which was 18.6 per cent of the loans extended during the period. The lowest amount was provided under cash credit of N.S.I.C. schemes e.g. Rs. 0.214 million. All the loan categories ranged between these two highest and lowest limits namely cash credit as factory type and cash credit under N.S.I.C. Scheme.

The table, further, indicates that although commercial banks are playing a significant role in financing small scale units of the district yet a large number of these industries remained uncovered. For the proper development of industrial sector, commercial banks should pay attention of the problems of small entrepreneurs and enlarge their area of operation.

3. HEAVY TAXES AND DUTIES:

As it is discussed above that for setting up a new industry, an entrepreneur is required to get approvals from as many as about eight authorities. In getting licences he is required to pay many taxes and duties. Most of these taxes have become the permanent feature. Such taxes in the preliminary stages are burden-some for small industrialists. Therefore, for the growth of small units these taxes such as municipal tax, excise duty, and sales tax should be sufficiently reduced for small industrialists specially for new entrants.

4. LACK OF TRANSPORT FACILITIES:

In making transportation easier, the railways can play an important role. It is a common complaint of most of the entrepreneurs of the district that the railways are not paying attention. Booking through goods train usually remain suspended due to shortage of wagons. The rates of booking goods by passenger trains are higher. This makes the goods costlier at the destination. Therefore, it may be suggested that this short-coming should be checked and proper care should be paid in booking the goods. Entrepreneurs should be encouraged to despatch their goods by rails.

5. POWER FAILURE:

In spite of the Hydel Power Station at Jasimpur the district is in short of electricity. Sudden electricity failure has become the common feature which resulted a slow growth of industries. During 1973, due to cut in the electricity supply, the small units faced a grave situation and the estimated production was affected by 25 to 30 per cent. Another difficult problem which new entrepreneurs face is to get the connection. For example to start and run a workshop with electric motor say of 20 or more H.P. capacity the entrepreneur has to obtain many licences and approvals from different government organisations. These organisations include District Health Officer, Town Planning Officer, Inspector of Factories, Panchayat Board, Village Lekhpai or Patwari, Block Development Officer, Revenue Inspector, Tahsildar, Electricity Board, Sales Tax Office, Income Tax Office, District Industries Office and so on. One can expect the trouble which a new entrepreneur faces in getting licence when he is shunted from one office to another. This lengthy procedure may be cut short by authorising electricity board alone to issue licences after judging the viability of the project.

6. LACK OF QUALITY CONTROL:

The product of small scale manufacturers lack standardisation and proper quality. There is no strict quality control organisation in the district. Although Quality Marking scheme is in operation but its area of operation is very limited. The scheme was introduced in 1951. In the early days it was applicable to lock industry alone.

Under this scheme, among lock manufacturing concerns, about 42 units have registered themselves. Out of these 42 member units, 31 have followed the scheme. They get most of their goods quality marked. It is expected that remaining 11 members will soon follow it. During 1972-73 the quality marking process was performed on locks worth about Rs. 8,22,000. This amount is very small in comparison to total locks produced in the district. The efforts are being made to increase this amount as much as possible.

Like lock industry, this scheme is familiar in other industries too. The main industries in which the scheme is operating are locks, building fitting materials, textiles, and handloom. Building fitting material industry stands second. In this industry alone goods worth about Rs. 10 lakhs are exported every year. The quality marking scheme is applicable to this industry since 1951. Since

then, now there are 24 members from this group. During 1972-73 quality marking process was applied on goods worth about Rs. 4,00,000.

In textiles group there are 99 units who got membership under this scheme. During 1972-73 the process was performed on goods worth Rs. 7,23,537.23 from this sector.

In the handloom sector about 54 industrial cooperative societies with a total membership of about 8,718 have been enrolled so far. 32 out of 54 societies have started functioning which produced cloth about 7,64,354 meters during 1972-73. For the development of these units, the government provided Rs. 50,575.00 as subsidies and rebates during 1972-73. With the introduction of this scheme about 50,300 persons got the direct employment during 1972-73 in this industry.

From the above it may, clearly, be concluded that performance of the scheme is not satisfactory. When the actual performance is judged against the total production of the various industries, it is found very poor. It is due to the fact that the members are not taking active part. For the effective operation of the scheme following measures may be suggested: -

1. Members should be exempted from various taxes like excise duty, sales tax and municipal tax.
2. Culprits should be checked to mark wrong seals. For this purpose effective marketing inspection is needed on a wide scale. Marketing inspectors should pay frequent visits and check the goods carefully.

3. Quality marked goods should get priority in government purchases.
4. Additional facilities in import licences, acquiring machinery on hire purchase basis, marketing the goods are needed for creating interest among the member units.

7. LACK OF EXPORT FACILITIES:

From the export point of view, the small scale units of the district are coming forward. They are achieving progress in the export field. It is clear from the fact that every year goods with an average value of about Rs. 50 lakhs are being exported. The main articles of export are locks, cotton carpets, sanitary fittings, building fitting materials, and wires. At present about 20 units are in the export field and the equal number of units are expected to enter into the field. During 1971-72 goods worth about Rs. 91 lakhs were exported.

In addition to registered small units, cottage industries are also playing a unique role in the export field. For example, the cotton carpets manufacturing has become a profitable cottage industry of the district. This industry alone is providing employment to about 2,000 persons in and around Hathras and Aligarh.

These carpets popularly known as 'Duries' or
are
"File Duries"/prepared in different attractive designs and shades. They are in good demand all over the country and

abroad. Nepal, the Middle east countries, Malaya, Thailand and Australia are the main importers of these duries.

These carpets are manufactured at a very low cost. They are as used as floor and staircase coverings, cot covers, cushion covers, car seat covers and awans. They are manufactured from cotton yarn or staple fibre yarn. The prices of these carpets range between Rs. 1.70 and Rs. 2 per square foot in cotton and about 60 per cent more in staple fibre.

Being purely a cottage industry, process except yarn dying and finishing is done by the artisans at their homes with the help of women and children. The number of people engaged in this industry is approximately 2,000. The half of this number is of women who work on them after household work. The men work mainly on weaving operations. The average daily wage of a woman comes to about Rs. 2.00 while that of an adult male worker ranges between Rs. 5.00 and Rs. 6.00.

The number of units of this industry is about 20 or so. The total capital employed is about Rs. 10 lakhs. The total annual production of all these units ranges between Rs. 30 lakhs and Rs. 35 lakhs. The main manufacturers of these carpets are - Oriental Handicrafts, Sri Krishna Handloom and Cottage Industries at Mathras, B. Das at Aligarh. The capital of these unit is above Rs. one lakh each with satisfactory turnovers. The pieces are manufactured in ordered size and design. Some popular sizes are 15x15, 6x3, 9x6, and 9x12 in feet.

The popularity for this particular product of the growing cottage industry is increasingly opening up avenues of employment at their own houses for the weaker sections of society. Women, children, young and old get good employment opportunities because all the processes of carpet making are hand operated and simple requiring less skill. The industry requires only hand operated machines and techniques. Therefore, it saves capital and can be started by weaker sections of society.

Although, this class of industry is providing ample opportunities to labour and entrepreneurs but it is not getting due recognition from the government organisations. Entrepreneurs are not given export facilities in proper way. For exporting carpets they take help of middle men. The shippers and exporting agents at Bombay and Calcutta are making sizable profits from the exports of these carpets who place orders to carpet manufacturers.

The industry needs incentives from the Centre for its development. In this regard only a little bit is being done by the State government for the cooperatives which are not very much progressive on account of inherent shortcomings like lack of resources, and genuine cooperative spirit. Assistance for imported dyes, chemicals and staple fibre yarn can be provided to give impetus to this new but

developing industry. Trade missions abroad may be advised to improve sales in their respective countries of posting.

The cotton carpets may establish a good export market as they are very attractive in design and finish, more comfortable for hotter countries, lasting in use, washable and above all low priced that is about one half of the price of the cheapest woollen carpet.

For creating infrastructural facilities for the development of small scale units industrial cooperatives and pilot scheme are operating in the district. An attempt has been made in the following pages to present the success achieved by these schemes.

1. INDUSTRIAL COOPERATIVES:

To give fillip to the development of small scale units in the district, industrial cooperatives are being developed. These cooperatives help member units in different fields of production, distribution and finances etc. At present, in the district, there are 117 cooperative societies. The classification of these cooperatives is given as follows: -

TABLE NO. XVI

CLASSIFICATION OF COOPERATIVE SOCIETIES FUNCTIONING IN
THE DISTRICT OF ALIGARH DURING 1972-73

Type of societies	Number of Societies	Percentage to total
Handloom	54	46
Khadi and village industries	45	38
Handicraft	6	5
General engineering	10	9
Central and industrial estate cooperatives	2	2
Total	117	100

Source: By the courtesy of District industries officer, Aligarh.

The table indicates that the number of handloom cooperative societies is largest representing about 46 per cent of the total. Second largest group is of Khadi and village industries cooperative societies. They represent about 38 per cent of total societies. Other societies are of handicrafts, general engineering and industrial estates cooperatives. The lowest number is of the central and the industrial estates cooperative societies.

During 1972-73 goods worth about Rs. 14 lakh were sold by these cooperatives, and during the same year about 7,000 persons got the employment.

2. PILOT SCHEME:

The centre of this scheme is Atrauli in Aligarh district. The main purpose behind this scheme is to impart technical training to enthusiastic and energetic persons in electric fittings, machinery, turning motor mechanics, carpentry, and iron smithing and so on. In all these courses two sessions in a year are carried out. During the training period a trainee is paid Rs. 25.00 per month as stipend. After the completion of successful training all trained persons are absorbed in the industrial sector. This scheme has proved successful to bridge the gap of trained persons in industry to some extent. During 1972-73 in all, 39 persons were trained. The number of each type of trainees is given in the following table.

TABLE NO. XVII

NUMBER OF TRAINEES IN DIFFERENT COURSES

<u>Type of trainees</u>	<u>No. of Trainees</u>
1. Electrical	4
2. Fitter	8
3. Machinery	6
4. Turning	5
5. Motor mechanics	10
6. Carpentry	3
7. Iron smithing	3
Total ...	<u>39</u>

During 1971-72 the number of trainees was 41.

It is evident from the table given above that highest number i.e. 10 was of the motor mechanics. The second number was of the fitters. In machinery, turning, and electricals the number of trainees stood as 6, 5 and 4 respectively. The number of trainees was of the order of three each in carpentary and iron smithy. Thus, this scheme is running successfully and every year an increasing number is enrolled. The main cause of this encouragement is the stipend and absorption in the commerce and industry. The table no. XVIII summarises assistances by organisational institutions.

The table no. XVIII highlights the position of assistances extended by different organisations to the small entrepreneurs of the district. Out of 1326 registered small units, only 24 units received loans of the order of Rs. 17,08,000 from the U.P.F.C. and 5 enterprises were supplied machinery worth Rs. 3,12,000 by the same corporation through its hire purchase scheme. The corporation during the year under review granted loans to 5 industries amounting to Rs. 16,000 under state government's grants. The National Small Industries Corporation supplied machinery under its hire purchase scheme to 4 parties valuing at Rs. 1,86,530. And 69 units were supplied iron and steel weighing about 531 metric tonnes. The State Bank of India and other commercial banks operating in the district rendered their valuable support to 360 units through their various schemes.

TABLE NO. XVIII

SUMMARY OF THE VARIOUS HELPS EXTENDED BY DIFFERENT AGENCIES
TO SMALL SCALE UNITS OF THE DISTRICT OF ALIGARH DURING 1972-73.

S.No.	Particulars of help	No.of units	Amount
			Rs.
1.	U.P. State Financial Corporation loans	24	17,08,000
2.	Loans under government grants	5	16,000
3.	Machinery on hire purchase basis by the U.P. State Small Industries Corporation	5	3,12,105
4.	Machinery on hire purchase basis by the National Small Industries Corporation	4	1,86,530
5.	Iron and steel	106	N.A.
6.	Building fitting materials (Raw materials)	39	N.A.
7.	Imported goods (Raw materials etc.)	45	N.A.
8.	Chemicals	62	N.A.
9.	Coal	84	N.A.
10.	Electricity granted	82	N.A.
11.	Discount on electricity charges	7	N.A.
12.	Technical guidance	39	N.A.
13.	Export oriented facilities	5	N.A.
14.	State Bank of India loans and facilities	27	N.A.
15.	Other Nationalised Bank	330	N.A.

Source: By the courtesy of the District Industries Officer, Aligarh.

From the above table it is also clear that the Central and State organisations and commercial banks are extending their assistance to a very small number of enterprises. A large number of units abstain themselves to approach these institutions due to bias and harassing practices of operational authorities. In the light of this state of affairs, district authorities should come forward to set up a coordination between financial institutions and the small entrepreneurs.

The main conclusions of this chapter may be summarised as follows :-

Aligarh is one of the industrial districts of U.P. and affords promise for future development of large number of small industries. From the establishment of the laboratory shop in 19th century to repair old locks and seals of postal department the district is now gaining world wide recognition in the production of not only locks and pad locks but of a variety of products which are in demand both inside as well as outside the country.

The steady development of industries in the district took place after 1965. At the end of 1971 there were about 988 registered small units. During 1972 about 159 new units were registered under the Factories Act which raised the total to 1147 units. On 15th December 1973

there were 1326 small units functioning in the district. In all these units nearly 8,570 persons are employed. They are also employing enormous subsidiary employment. The main industries developed during 1965-73 are of agricultural implements, machine parts, candles, chemicals, plastics and polythene, glass-ware, manufacturing of bottles for preservation of fruits, motor and scooter parts, soap, lock and building fitting materials etc. These units are running smoothly and contributing effectively for the economic development not only of the district and the state but of India as a whole. These units can play significant role in developing and diversifying the economic base of the district if their main hurdles are removed,

Although various facilities are provided by the Central as well as State government yet considerable re-thinking is required for their smooth functioning. The total financial needs of these units be reviewed and consequential changes in the credit limit be made in view of the spiralling prices. The present procedure should be simplified so that the small entrepreneurs be encouraged to develop and diversify small units which can be the source of employment to workers, reduce sellers' market and earn foreign exchange for the country.

CHAPTER VI

SUMMARY OF FINDINGS AND CONCLUSIONS

The present work entitled, "Financial Needs And Resources of small Industries in Aligarh District" is primarily based on the hypothesis that the small scale industry occupies a pivotal position in the economic development of a country irrespective of its stage of economic growth. It has a strategic role to play in developing countries like India where millions of people are unemployed or underemployed and where there is a dearth of investible funds and a general deficiency of sophisticated machinery and modern technology. Other factors which stand in favour of small industry are its adaptability to semi urban and rural areas where infrastructure is inadequate and under-developed. Such industries have built-in capacity to mobilise rural savings and put them into productive channels.

The main emphasis has, however, been laid on the financial aspects of small industries. The financial resources of these units greatly depend as to how the financial institutions look to their needs. It has been

noted that though most of the financial institutions show liberal attitude towards financing small units, yet their total requirements, in view of spiralling prices of industrial raw materials, machinery and high wages etc., are not fully met. Chapter-wise main conclusions of the study are summarised in the following paragraphs: -

In the first chapter an attempt has been made to present a vivid picture of the significant achievements of small scale business in the process of industrial development of advanced countries like the U.S.A., the U.K. and Japan. A detailed analysis has been made of their past performance, present position, and future prospects. Their role in creating job opportunities, providing self dependence to the inhabitants, contribution to gross and net national production, raising per capita income, import substitution and export promotion activities are the highlights of the working of these industries.

From the experience of the developed countries it has been noted that such industries were a means of evolutionary economic development. Hence, they offer enormous opportunities of economic growth for a developing country like India. The smaller units should develop their efficiency through innovations and managerial

revolution. Smaller and larger industries should be complementary rather than competitive to each other. This requires a united front between large scale and small scale sector to tackle their common problems. Since small units are in their teething period, Government should pay special attention to the problems of these industries.

The problems and prospects of small scale industries in India with special reference to Uttar Pradesh are critically examined in the second chapter. The main bottlenecks which small entrepreneurs in India face are classified as - lack of adequate supply of raw materials, increasing paucity of investible funds, shortage of sophisticated machinery and equipment, lack of skilled man-power, poor management, inadequate arrangements of marketing and export, faulty research and development programmes, heavy burden of various taxes and duties and the inefficient working of some of the government departments etc. Besides, small entrepreneurs face many other problems in running their business efficiently. These shortcomings include insufficient means of transportation and communication, shortage of electricity, increasing lawlessness in the country, black marketing and profiteering of industrial raw materials and other

components etc. The labour - management relations are worsening speedily. The participative management has not made any headway due to selfish labour leaders.

The thesis has concerned itself specifically about the financial needs of small industries. It has been noted that the assistance provided by institutional organisations in relation to the actual requirements of small units has been quite meagre. To improve the working of the institutions which have shown liberal attitude towards the development of small scale sector, some positive measures have been suggested. It has been emphasised that half hearted measures be replaced by bold and imaginative policies of the government.

The study clearly indicates that although institutional measures have been adopted to overcome the shortcomings but there is left a wide gap between actual requirements of small entrepreneurs and the facilities provided by institutions. To improve the working of these organisations many suggestions have been made to fill up the lacuna. An indepth study has been made of the prospects of small industries in a backward state like U.P. It has been pointed out that in spite of the various problems small units have witnessed a steady growth. The number of small

industries has increased to 3.20 lakh and an equal number of units are working as unregistered units but they are under the potential coverage of small sector. It is proposed to set up 2 lakh additional units during the fifth plan period to create additional job opportunities. The role of small scale sector witnessed that it has contributed about 30 per cent to total export, 40 per cent to total industrial production and 36 per cent to total industrial employment. Their role can be judged from the fact that total number of articles to be produced in small scale sector have been raised from 25 to 128 and another 60 items have been recommended for production in years to come. The importance and survival of small sector in the country have, therefore, rightly been guaranteed in the Industrial Policy Resolutions and the Five Year Plans.

The chapter three is devoted to examine the role of industrial estates and their impact on the economic development of India with special reference to Aligarh district. Their role in the decentralisation of industry has been brought into light.

A comparative study of their performance in developed and developing countries indicates that although industrial estates provide most of the facilities in

India but they are not yet popular with the industrialists. For instance a large number of factory sheds and developed plots are left vacant. In U.P. alone, 70 estates with a capacity of 2,083 sheds and plots were constructed at the end of March 1971 but only 1,382 were allotted leaving 701 sheds and plots as unallotted. To utilise fully the plots of industrial estates it is recommended that these sheds be given to large and medium sized establishments. In this regard uses and abuses of such allotment are also examined.

The past performance of working of industrial estates in Aligarh district indicates that they have effectively provided infra-structural facilities necessary for the growth of small scale industries in the district. Various measures have also been brought into light for the state planners to make them viable units.

In the fourth chapter, the institutional sources of small scale industries in India are critically examined. The analysis reveals that in comparison with the financial resources of small scale industries in advanced countries the financial resources of these units in India are very meagre and it is highly imperative that an apex financial organisation be set up which could exclusively look after the financial affairs of small units. In the present circumstances of spiralling prices of raw materials and

industrial machinery and other factors of production, the annual financial requirements of these units are estimated to be of the order of Rs. 15,000.0 million to Rs. 20,000.0 million. It is suggested that these estimates should be revised from time to time in view of the galloping inflationary tendency prevailing in the economy of the country.

To meet the financial needs of small scale units, a net work of financial organisations has been developed. Although various institutions have liberalised their attitude towards small units but their requirements are not met fully. Among the credit institutions, the role of commercial banks and among nationalised banks particularly of the State Bank of India has been important. In order to make the policies of these banks oriented towards small industry various measures have been suggested. For the successful adoption of these measures, a change in the attitude, outlook and approach of managerial staff of banks specially at branch level is the need of the hour. The approach of banking personnel should be such which can create a feeling of confidence amongst the entrepreneurs that their credit needs will be fully guaranteed. Besides, the procedures for the scrutiny and grant of loans should be simplified and uniform for all the banks. Again, it is suggested that "one bank for one customer" policy should be followed so that the credit needs of small units may be met adequately.

Chapter five has comprehensively examined the financial needs and resources of small scale industries in Aligarh district. During the last twenty five years, Aligarh has developed a favourable climate for the development of small sector. Since independence, a large number of small, medium and large scale establishments have been set up in the district. Its industrial estates are functioning satisfactorily and the industries working in them produce a variety of goods which are also a source of earning foreign exchange. The main items of export are lock and building fitting materials, sanitary wares, electric goods, cotton carpets, buckles and mathematical instruments. These industries in turn have provided enormous job opportunities in Aligarh and its neighbouring areas.

On the basis of growing importance of these industries an attempt has been made to estimate the financial needs of small units of the district. The financial requirements of these units are partly met through personal savings of entrepreneurs and partly through institutional sources. To overcome the financial problems of small entrepreneurs it is greatly felt that government should come forward to provide finance upto the extent of their total needs. Unless bold and imaginative policy will not be followed by the

district and state planners, the growth of small industries will be an idle dream. This revolutionary change in the outlook of government is called for.

The sixth chapter is devoted mainly for the summary of findings and conclusions. The main purpose of the chapter is to sum up the main findings and suggest suitable measures to make the small units a healthy means of economic growth of the country.

The author will be greatly rewarded for his labour if the work would provoke further studies on the subject matter. The author's analysis lends support to his thesis that if small scale industry in India would fail there would fail the best hope of our socialistic pattern of society. These industries must work on sound business lines and should follow modern methods of technical and managerial techniques. The viability of these units greatly depends on their financial soundness which should be developed on the lines indicated in the thesis.

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APPENDIX NO. 1

PRODUCTION AND EXPORTS BY SMALL SCALE UNITS WHICH SHOWED GOOD
EXPORT PERFORMANCE

(Rupees Lakh)

S.No.	Item Manufactured	No. of units	Value of production in 1969	Value of exports in 1969	% of export to value of production
1	2	3	4	5	6
1.	Canned fruits and vegetables, fish etc.	3	45.52	17.10	38
2.	Curry powder, pickles chutneys, pine apple juice, jams	6	27.95	18.12	65
3.	Handloom Pure-silk fabrics, natural silk fabrics.	3	91.93	54.96	60
4.	Jewing thread	1	20.26	6.87	34
5.	All wool machines made tufted carpets	2	290.99	45.69	16
6.	Woolien hoisery and knitwear	34	479.03	311.79	65
7.	Gas Mantles	3	65.69	10.92	17
8.	Ready made garments	7	412.56	394.22	95
9.	Umbrellas, umbrella tubes, handles, sticks and frames	4	34.51	9.22	27
10.	Ice cream cups drinking cups tumblers etc.	1	12.63	1.94	15
11.	Hard board, insulation boards	1	143.45	14.74	10
12.	Paper canes and tubes etc.	2	98.32	38.23	39

1	2	3	4	5	6
13.	Printed books, periodicals, journals	8	75.01	18.31	24
14.	Calenders, stationery, greetings, invitation cards etc.	6	58.50	7.76	13
15.	Vegetable, chrome and finished leather	4	1159.40	107.70	9
16.	Hosepipes, rubber balloons feeding nipples	2	28.54	4.76	17
17.	Manganese sulphate, zinc sulphate, copper sulphate etc.	2	24.58	4.06	17
18.	Synthetic resins	1	58.29	8.01	15
19.	Aniline salt, vat dyes, plastic synthetic coal tar dyes, Azo dyes etc	4	31.77	5.39	17
20.	Dry colour pigments, paint and varnishes and enamels	3	224.45	28.20	13
21.	Drugs and pharmaceutical medicines	10	161.85	24.45	15
22.	Asarabattis and dhooop	48	208.58	68.89	33
23.	Hydraulic brakefluid	1	9.91	1.02	10
24.	Bifocal blanks and lenses	2	43.85	5.36	11 ¹
25.	Castings (iron and steel)	2	43.85	5.36	11 ¹
26.	Galvanised structural steel	1	39.48	19.80	50
27.	E.R.W. steel tubes conduits pipes	2	19.15	8.49	27
28.	Bright steel bars	4	139.17	23.08	17
29.	Metal tool boxes, steel trunks boxes, cash boxes etc.	9	75.77	28.01	37
30.	Brass lock builders, hardwares etc.	8	29.08	10.72	37

1	2	3	4	5	6
31.	Chains, bolts, nuts, wires rivets, link chains, panel pins, wire mesh etc.	13	89.29	16.52	19
32.	Iron safes and cabinets	1	1.75	1.63	93
33.	Pressure stoves, lanterns, blow lamps, burners, wick stoves	7	109.05	37.67	25
34.	Hand-tools and small tools, hammers, screw drivers, planners, circular saw etc	3	15.52	3.49	22
35.	Sluice valves, valves, pipe fittings	11	157.53	53.28	34
36.	Brass and other utensils, brass artwares sports cups	19	196.86	109.08	55
37.	Diesel engines and parts	2	7.29	2.78	38
38.	Textile machinery and spares	2	2.77	0.91	33
39.	Oil mill machinery oil expellers, filter press etc.	2	15.37	9.49	62
40.	Rice huller M/c Flour Mill M/s Dall M/c and the parts	1	4.01	1.22	30
41.	Pulling lift, Portable cranes, wire pullers etc.	1	10.08	1.99	20
42.	Centrifugal pumps	1	2.40	0.80	20
43.	Fire protection equipment	1	21.69	5.77	26
44.	Machine tools	5	27.56	8.82	32
45.	Ag. Machinery and implements	2	0.76	0.76	100
46.	Air conditioner, water coolers, deep freezers	1	4.64	2.42	52
47.	Hosiery and knitting machines needles and spares	2	28.88	21.81	76 ¹
48.	Electrical switch gears, clamps and connectors, transformers, insulators	14	203.13	54.65	27

1	2	3	4	5	6
49.	Connectors transformers chokes, incandescents lighting fittings, fix- tures and accessories	1	7.05	2.16	31
50.	Cables and wires	2	172.38	33.53	19
51.	Electronic components and parts	1	2.11	0.30	14
52.	Car radios, aeriaks, amplifiers, P.A. equipment photophone etc.	4	74.29	24.95	34
53.	Low temperature welding electrodes, gas welding rods, fluxes, torches, tubes and telecommunication	3	39.67	4.68	12
54.	Railway track items and forgings	1	2.88	1.61	56
55.	Automobile parts and accessories	18	95.73	29.39	31
56.	Bicycles and bicycle parts, free-wheels, gear cases, spokes, nipples etc	18	240.47	85.12	35
57.	Surgical instruments and	6	34.07	15.31	45
58.	Ultrasonic equipment taxi- metres etc	2	5.88	1.12	19
59.	Weighing scales, scientific instruments and equipments	2	14.98	2.62	17
60.	Photo-engraving equipments, recoppering plant, chrome plating plant, Micro filling, film processing	2	14.87	6.09	41
61.	Watches and clocks and parts there of	2	1.33	0.36	27
62.	Lead slips for pencils etc.	1	5.37	0.64	12

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1	2	3	4	5	6
63.	Fountainpen, ball-point pen, nibs	6	49.46	17.76	36
64.	Buttons, plastic, novelties etc.	2	3.36	2.40	71
65.	Plastic products, plastic bangles, plastic imitation, jewellery, PVC leather cloth etc.	36	304.47	64.06	28
66.	Celluloid spectacle frames, bangles, CA bangles etc.	19	56.29	18.68	33
67.	Dental goods, writing ink, printing ink, Emery Fillets, Mirror	10	35.34	9.06	26
Total		413	6211.22	1967.82	

I. Some percentages in the table are corrected.

SOURCE: The Economic Times, Sunday, November 7, 1971 P. 6.

QUESTIONNAIRE ADOPTED FOR OBTAINING INFORMATION ABOUT
THE INDUSTRIAL UNITS SITUATED IN
ALIGARH

1. Name of the Unit
2. Type of Ownership (Private Ltd. Co.,/Partnership/
Cooperative/Single Proprietorship)
3. Year of establishment
4. Type of Factory
5. Product Manufactured

a) Main product	...	Rs.	_____
b) Subsidiary product..		Rs.	_____
c) By-product	...	Rs.	_____
Total	...	Rs.	_____

6. Capital investment in Fixed Assets

Particulars	Book value	Year of acquisition	Expected life	Repairs and Maintenance charges in the last year
a) Building				
b) Plant and Machinery				
c) Tools and equipment				
d) Furniture, fixtures and fittings				
TOTAL ...				

7. Working Capital Employed in

- i) Stock of raw materials Rs. _____
- ii) Stock of fuel & lubricants Rs. _____
- iii) Finished stock Rs. _____
- iv) Semi-finished stock Rs. _____
- v) Percentage of profit
 ploughed back Rs. _____

8. Number of workers employed

9. Sources of Funds

Source	Amount	Rate of interest	Duration	Terms of re payment	Purpose of loan	Security pledged	Amount of Repai
1	2	3	4	5	6	7	8
1) Private source							
ii) Govt.'s Dept. of Industries							
a) Central							
b) State							
iii) Institutional sources							
a) N.S.I.C.							
b) S.F.C.							
c) State Bank							
d) Coop. Bank							
e) Comm. Banks							
f) Other sources							
Total							

10. Difficulties in obtaining loans from above institutions :

11. Sales - To what extent your product satisfies the demand of the following markets :

	<u>No. of Units</u>	<u>Amount</u> (Rs.)
i) Local Market	_____	_____
ii) National Market	_____	_____
iii) International Market	_____	_____

What problems do you face in supplying products to above markets.

12. Marketing channels

- a) Is there any common sales organisation for the Estate?
- b) If no, does the Estate help you in sales promotion?
- c) Percentage of sales through Estate;
- d) Percentage of sales through S.T.C.

13. Source of Raw Material

14. Problem faced by you

15. Suggestions for improvement

16. Year-wise Production, and Sales of the Unit:

<u>Year</u>	<u>Production</u>	<u>Sales</u>	<u>Closing Stock</u>
1965			
1966			
1967			
1968			
1969			
1970			
1971			
1972			

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